



SVI Public Company Limited



2012 ANNUAL REPORT

Commitment to Superior Service and Highest Quality



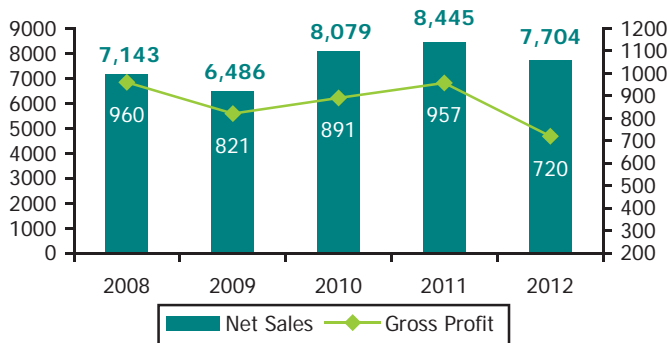


Contents

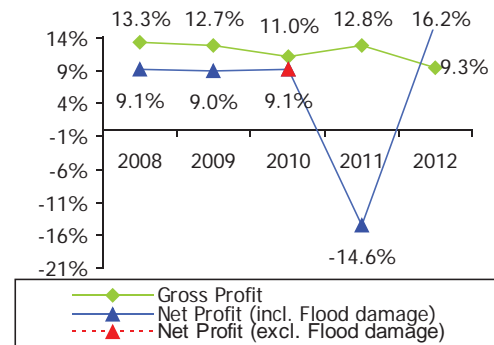
| | |
|--|----|
| Financial Highlights..... | 2 |
| Letter to Shareholders..... | 3 |
| Board of Directors..... | 4 |
| Management Team..... | 6 |
| Background and major progress..... | 9 |
| Characteristics of Business..... | 11 |
| Risks Factors- English..... | 16 |
| Financial Structure..... | 20 |
| Organization Structure..... | 21 |
| Organizational Management..... | 22 |
| Corporate Governance..... | 32 |
| Audit Committee Report..... | 42 |
| Responsibility Report to Financial Statements..... | 44 |
| Related Transaction..... | 45 |
| Financial Analysis and Operating Result..... | 45 |
| Report of Independent Auditor..... | 47 |
| Statements of Financial positon..... | 48 |
| Notes to Financial Statement..... | 57 |
| Audit's Remuneration..... | 86 |
| Investor Relations..... | 86 |
| General Information..... | 87 |

Financial Highlights from Consolidated Financial Statement

Net Sales, Gross Profit and Net Profit (Unit: Million Baht)



Percentage of Gross Profit and Net Profit

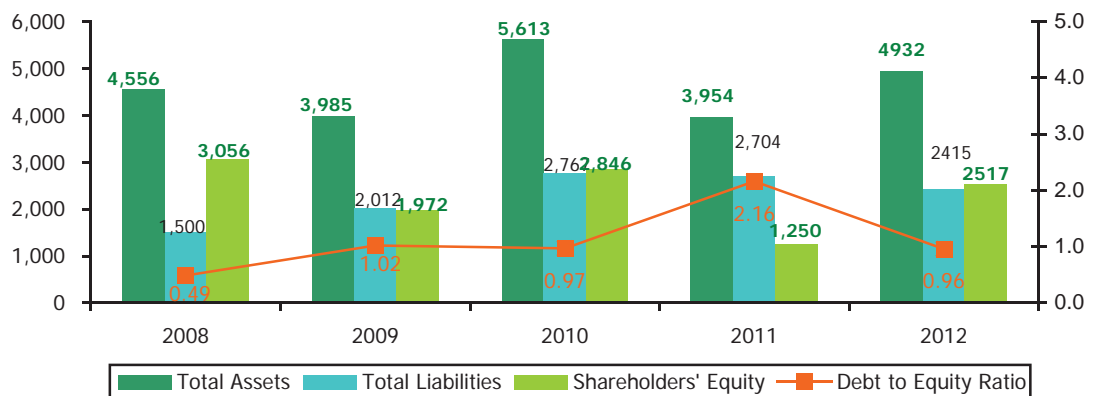


Remark: The Company recorded floods damaged in the amount of Baht 1,974 Million, however the company has insurance to cover it.

Financial Status

Balance Sheet

Unit: Million Baht



Financial Ratio

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------------|------|------|------|-------|------|
| Gross Profit Margin (%) | 13.5 | 12.7 | 11.0 | 12.8 | 9.3 |
| Net Profit Margin (%) | 9.1 | 9.0 | 9.1 | -15.1 | 16.2 |
| Return on Assets (%) | 14.2 | 15.1 | 14.6 | -24.8 | 24.7 |
| Return on Equity (%) | 23.4 | 23.2 | 27.7 | -56.8 | 51.8 |
| Current Ratio (Times) | 2.7 | 1.8 | 2.0 | 1.3 | 1.6 |
| Total Assets Turn Over (Times) | 1.6 | 1.6 | 1.5 | 2.1 | 1.6 |
| D:E Ratio (Times) | 0.5 | 1.0 | 1.0 | 2.2 | 1.0 |
| Interest Bearing Debt to Equity | 0.07 | 0.28 | 0.31 | 0.50 | 0.26 |
| Earnings per Share (Baht-Basic) | 0.44 | 0.37 | 0.42 | -0.65 | 0.64 |
| Book Value per Share (Baht) | 2.04 | 1.19 | 1.47 | 0.64 | 1.28 |



Dear Shareholders,

SVI had a continuously strong signal of recovery in 2012 after the flood damaged the primary factory at the end of 2011. Proof of our strength is shown in the record of our revenue of Baht 7,704 Million (equivalent to USD 248 Million) in 2012. The Consolidated Net Profit 2012 was reported at Baht 1,246 Million or 16% of revenue. The Consolidated net profit excluding interim insurance payment of Baht 730 Million was Baht 516 Million or 7% of revenue.

SVI gains continual support and trust from our customers. Aside from selecting us as a manufacturing partner, the reliance on our commitment to deliver superior service and the highest quality products resulted in retaining most of our major customers with the addition of new customers signed in 2012.

As we look into 2013 and beyond, we believe our business is going through a positive transformation. We are confident that we will continue to grow and prepare for an expansion of the global market with a stronger focus on a new segment of customers and new markets by leveraging our core competitive advantages in new advanced technologies and effective management. We continue to look for new avenue to grow our business such as Telecommunication, Automotive Medical Equipment products and Audio Video. Customers still require development and better manufacturing capabilities; thus, strong growth is expected in the future which should lead to generating higher revenues, better operating results, good earnings per share, and the continuously delivery of growth with strong cash flow while at the same time maintaining a flexible and versatile model to serve the global market.

We would like to sincerely thank our team of talented, hard-working management as well as staff who are the important element of SVI's success. We, as always, remain grateful to our customers for their business and trust, and to our shareholders for their continuing encouragement and support.

A handwritten signature in black ink, appearing to read 'Dr. Suvarn Valaisathien'.

Dr. Suvarn Valaisathien
Chairman of the Board

A handwritten signature in black ink, appearing to read 'Mr. Pongsak Lothongkam'.

Mr. Pongsak Lothongkam
Chief Executive Officer



Dr. Suvarn Valaisathien

Chairman of the Board, Independent Director, Member of the Audit Committee, and Chairman of The Nomination and Compensation Committee

Education

- Doctor of Juridical Science, George Washington University, Washington, D.C., U.S.A.
- Master of Laws, Harvard University, U.S.A.
- Bachelor of Laws, magna cum laude, Chulalongkorn University
- Director Accreditation Program (DAP), Thai Institute of Directors

Experience

- Senior Secretary, UN-ESCAP
- Attorney – Kirkwood Law Office
- Attorney – Trainee, Hale and Dorr, Boston Massachusetts, U.S.A.
- Partner, International Legal Counsellors Thailand
- Partner and Head of Tax Division, SGV Na Thalang Co., Ltd.
- Legal Counsel, the World Bank, Washington, D.C.
- Deputy Governor, Administration, Petroleum Authority of Thailand
- Deputy Minister of Commerce

Present Positions

- Chairman of the Board, Independent Director, Chairman of the Audit Committee, and Chairman of The Nomination and Compensation Committee, SVI Public Co., Ltd.
- Private Legal and Tax Consultant, Dr. Suvarn Law Office
- Executive Director, Berli Jucker Public Co., Ltd.
- Director, Bumrungrad Hospital Public Co., Ltd.
- Chairman, Thai Stainless Steel Co., Ltd.



Dr. Pruchya Piumsomboon

Independent Director, Member of the Audit Committee, and Member of the Nomination and Compensation Committee

Education

- Master of Engineering and Ph.D. in Operations Research, Texas A&M University, U.S.A.
- Professional Engineer, Industrial Engineering, State of Texas, U.S.A.
- Bachelor Degree in Engineering, Industrial Engineering, Chulalongkorn University
- National Defense College, Thailand
- Director Certification Program, Thai Institute of Directors

Experience

- Leader of IT consultant services more than 70 organizations and companies in U.S.A. and Thailand
- Advisory board (e-Industry) to the ICT Minister
- Sub-committee on Science and Technology, The Senate of Thailand
- Chairman Committee on Information Technology and Telecommunication of the Thai Chamber of Commerce
- National ITC Master Plan Working Group
- E-ASEAN Task Force (private sector), Ministry of Commerce ITC
- National Information Technology Committee Member
- First Vice Secretary of the Selected Committee on Computer Misleading Act to the Secretary General of the National Legislative Assembly
- The Council of Engineers Subcommittee on the International affairs

Present Positions

- Independent Director, Member of the Audit Committee, and Member of the Nomination and Compensation Committee, SVI Public Co., Ltd.
- Managing Director, CIM Systems (Thailand) Co., Ltd.
- Managing Director, Pakin Properties Co., Ltd.
- Board of Casa Verde Co., Ltd.
- Chairman of the Board of Directors, Chow Steel Industries Public Co., Ltd.
- Professional Expert to the Chairman of the Election Commission of Thailand
- Advisor to the Board of Executive Committee of GS1 Thailand, The Federation of Thai Industries
- Committee on APEC, and Committee on International Organization, Board of Trade Thailand and the Thai Chamber of Commerce



Mr. Threekwan Bunnag

Independent Director, Chairman of the Audit Committee, and Member of the Nomination and Compensation Committee

Education

- Master of Business Administration, University of North Texas, U.S.A
- Directors Certification Program Class 12/2001, Thai Institute of Directors

Present Positions

- Independent Director, Chairman of the Audit Committee and the Nomination and Compensation Committee, SVI Public Co., Ltd.
 - Independent Director, Audit Committee and Nomination Committee, TICON Industrial Connection Public Co., Ltd.
-

Director

Education

- Master of Science in Electrical Engineering, University of Colorado, U.S.A
- Director Certification Program (Fellow member), Thai Institute of Directors in 2002
- Executive Program, Capital Market Academy in 2010

Experience

- Managing Director, H&Q (Thailand) Co., Ltd.
- Assistant Managing Director, Thai Seri Cold Storage Co., Ltd.
- Director, Rajthani Hospital Public Co., Ltd.
- President, Thai Venture Capital Association
- Director and Treasurer, Thai Frozen Food Association

Present Positions

- Director, SVI Public Co., Ltd.
 - Director, EISCO Industrial Services Co., Ltd.
 - Managing Director, TICON Industrial Connection Public Co., Ltd.
 - Director, TICON Logistics Park Co., Ltd.
 - Director and Nomination Committee Member, Thai Cane Paper Public Co., Ltd.
 - Director, Compensation Committee and Audit Committee Member, Fabrinet Co., Ltd.
 - Treasurer and Director, Thai Venture Capital Association
 - Director, Singapore-Thai Chamber of Commerce
-

Director, Member of the Nomination and Compensation Committee and Chief Executive Officer

Education

- Bachelor of Science in Electrical Engineering and Computer Science, University of California at Berkeley, U.S.A.
- Director Certification Program, Thai Institute of Directors
- Executive Program, Capital Market Academy in 2011

Experience

- Managing Director of Universal Instrument Corporation, Asia Operation
- Vice President and General Manager, Hana Microelectronics Co., Ltd.
- President, Multichip Technologies Incorporated

Present Position

- Director and Chief Executive Officer, SVI Public Co., Ltd.
- Chairman of the Board, MFG Solution Co., Ltd.



Mr. Virapan Pulges



Mr. Pongsak Lothongkam

Management Team



Mr. Pongsak Lothongkam

Chief Executive Officer

Education

- Bachelor of Science in Electrical Engineering and Computer Science, University of California at Berkeley, U.S.A.
- Director Certification Program, Thai Institute of Directors
- Executive Program, Capital Market Academy in 2011

Experience

- Managing Director of Universal Instrument Corporation, Asia Operation
- Vice President and General Manager, Hana Microelectronics Co., Ltd.
- President, Multichip Technologies Incorporated

Present Position

- Director, Member of the Nomination and Compensation Committee and Chief Executive Officer, SVI Public Co., Ltd.
 - Chairman of the Board, MFG Solution Co., Ltd.
-

Vice President of Business Development

Education

- Master of Science in Engineering (Electronics), King Mongkut's Institute of Technology (Ladkrabang)

Working Experience

- Director of Business Development, SVI Public Co., Ltd.
- Director of Technical, SVI Public Co., Ltd.

Present Position

- Vice President of Business Development, SVI Public Co., Ltd.
-

Chief Financial Officer

Education

- Master Degree in Accounting, Chulalongkorn University
- Bachelor Degree in LL.B (Law), Thammasart University
- Bachelor Degree in Accounting, Chulalongkorn University
- Certified in Production and Inventory Management (CPIM) from American Production and Inventory Control Society (APICS)
- Director Certification Program, Thai Institute of Directors

Working Experience

- Chief Financial Officer and MIS, Starprint Public Co., Ltd.
- Director of Logistics, Vice President of Finance, Alphatec Semiconductor Packaging Co., Ltd., and Alphatec Holding Co., Ltd.
- Senior Director of Finance and Accounting, Read-Rite (Thailand) Co., Ltd.
- Director of Finance and Administration, Director of the Board, Micropolis Corporation (Thailand) Ltd.
- Director of Finance and MIS, Secretary of the board of Directors, National Semiconductor (Bangkok) Co., Ltd.

Present Position

- Chief Financial Officer and MIS, SVI Public Co., Ltd.



Mr. Ruangpoj Phakdurong



Mrs. Pissamai Saibua



Mr. Carsten Bremerskov Kaysen

Director of Sales, Scandinavia

Education

- Bachelor in Organization, Neils Brock - Copenhagen Business College, Denmark
- Bachelor of Electronics Engineer, Frederiksberg Technical School, Denmark

Working Experience

- Sales Manager, Anker Consulting A/S
- Program Manager, Phase One A/S

Present Position

- Director of Sales, Scandinavia, SVI Public Co., Ltd.
-

Director of Purchasing / Inventory Management

Education

- Master of Business Administration, Thammasart University
- Bachelor of Science in Engineering (2nd class honor), Major in Electronics, King Mongkut's Institute of Technology (Ladkrabang)

Professional Certificates

- CPIM (Certified in Production and Inventory Management), Apics USA
- CIPS (Certified in Purchasing and Supply) Level 2, CIPS UK
- Pre-CSCP (Pre-Certified Supply Chain Professional), Apics USA

Working Experience

- Director of Sourcing and Purchasing, SVI Public Co., Ltd.
- Assistant Director of Global Sourcing, SVI Public Co., Ltd.
- Assistant Director of Materials, SVI Public Co., Ltd.
- Director of Sourcing ACT Co., Ltd.

Present Position

- Director of Materials Management, SVI Public Co., Ltd.
-



Mr. Phichet Kanogsirima

Director of Business Development

Education

- Master of Business Administration (International Business Management), Eastern Asia University
- Bachelor of Science (Physics), Silpakorn University

Working Experience

- Assistant Director of Business Development, SVI Public Co., Ltd.
- Assistant Director of Program Management, SVI Public Co., Ltd.
- Senior Manager of Program Management, SVI Public Co., Ltd.

Present Position

- Director of Business Development, SVI Public Co., Ltd.
-



Mr. Virat Phugthai

Director of Quality Assurance

Education

- Master of Science and Ph.D. in Quality Management, Lacrosse University, USA
- Bachelor of Science in Electrical Engineering, Mankato State University, USA

Working Experience

- Director of Quality System/QA, Innovex Thailand Ltd.
- Senior Manager, Quality System & Customer Quality, Innovex Thailand Ltd.

Present Position

- Director of Quality Assurance, SVI Public Co., Ltd.



Dr. Raymond Ramiah



Mr. Manoon Noonate

Director of Human Resources

Education

- Master's degree of science in Human Potential and Leadership Development, Murray State University, Kentucky, USA
- Master's degree in Public Administration (HR Management), NIDA
- Barrister at Law Certificate, Thai Barrister Council
- Bachelor's degree in Laws (2nd class honor), Chulalongkorn University

Working Experience

- Director of Human Resources, Mattel Bangkok Limited
- Director of Human Resources, Seagate Technology (Thailand)

Present Position

- Director of Human Resources, SVI Public Co., Ltd.
-



Mr. Wayne Kenneth Ellis

Director of Global Sourcing

Education

- BS In Business Admin With Some Courses Toward MBA, San Diego State University

Working Experience

- Director of Global Sourcing & Purchasing , Fender Musical Instruments Corp. Scottsdale, Arizona
- Director of Supply Chain Development, Jabil Circuit, Inc., St. Petersburg, Florida

Present Position

- Director of Global Sourcing, SVI Public Co., Ltd
-



Mr. Verne Mundell

Asst. Director of New Product Introduction (NPI)

Education

- BS Business Management, Daniel Webster University, Merrimack NH, USA

Experience

- Working with new products in the aerospace and telecommunication industries, USA.
- Litton Industries and Kollmorgen Corporation providing infrared and laser designation systems, USA.
- Signal Technology Corporation, USA.

Present Position

- Asst. Director of New Product Introduction (NPI), SVI Public Co., Ltd.
-



Mr. Somsak Chatamornrat

Factory Manager

Education

- Bachelor Degree of Engineering, Major in Production Engineering, King Mongkut's Institute of Technology (Thonburi)

Experience

- Director of Manufacturing, Magnecomp Precision Technology (Thailand) Co., Ltd.
- Senior Engineering Manager, Belton Industrial Thailand Co., Ltd.

Present Position

- Factory Manager, SVI Public Co., Ltd



Background and Major Progress

SVI Public Company Limited, formerly known as Semiconductor Venture International Limited was established on August 2nd 1985 to operate as an Electronics Manufacturing Service (EMS). The company's background and major developments are as follows:

| <u>Year</u> | <u>Activities</u> |
|-------------|---|
| 1989 | Listed on The Stock Exchange of Thailand (SET). |
| 1994 | Converted to a Public Company Limited on May 25 th , named Semiconductor Venture International Public Company Limited and placed emphasis more complicated electronic products and Box-Builds. |
| 1997 | Asia Pacific Electronic Company Limited, a company under H & Q Asia Pacific Group, acquired 94.5% of shares in the company from The Bangkok Bank Public Company Limited making Asia Pacific Electronic Co., the major shareholder. |
| 2000 | Started high technology production processes by implementing Micro-BGA and Flip Chip Lines. |
| 2003 | February 5 th changed the company's name to SVI Public Company Limited. |
| 2004 | Set up the second factory (SVI-2) in Bangkadi Industrial Park, Pathumthani province. Implemented a new ERP system (SAP) to manage operations and raw materials. |
| 2005 | Increased production capacity at SVI-2 and modified production lines at SVI-1 to support production of high technology products. SVI Public Company Limited invested 100% in Globe Vision Corp. Globe Vision Corp invested 100% in SVI China Limited (Hong Kong). SVI China Limited (Hong Kong) invested 100% in SVI Electronics (Tianjin) Company Limited. |
| 2006 | The new factory located in Tianjin, China, started operations beginning of year. |
| 2007 | Expanded a 600 square metre warehouse in SVI-1. Installed another "In-line Hydro Cleaning" washing machine for PCBA to improve washing capacity and performance at SVI-1. Expanded production space and installed more high technology and high efficiency machines at SVI-2 to support capacity expansions. 'SVI' par value was changed from Baht 10 to Baht 1 each, and started trading on SET at the new value on May 18, 2007. |
| 2008 | SVI-1 at Chaengwattana renovated a production area of 3,300 square meters, to support new product processes and energy saving. This included the expansion of the existing warehouse by 750 square meters to support more customers for distribution centre services. SVI-2 at Bangkadi installed additional high-technology and high speed machines for 7 lines, including the expansion of the mezzanine office area by 800 square meters to support additional demands. |

Acquired the third plant in Thailand (SVI-3) at Bangkadi Industrial Park, Pathumthani with total space of 70,400 square meters.

- 2009** SVI-3 Bangkadi renovated and built a warehouse of 2,800 square meters to merge a Distribution Center (DC) of SVI-1 and SVI-2 to support Customers' DC and Vendor Management Program (VMI). This warehouse was authorized by The Customs Department to be a Free Zone.

Started research and development on a Solar Cell project supervised by the Nano Technology Department of the Asian Institute of Technology (AIT), in order to implement this project for future production processes.

Selected by SET to be one of the companies in the SET 100 Index.

Nominated by SET as one of the companies to compete in 'The Best Performance Awards' and 'The Best CEO Awards'.

- 2010** Acquired the new factory (SVI-5) in Bangkadi Industrial Park, Prathumthani with a total space of 65,340 square meters (including both production area and office space) to support the drastic growth of SVI's business.

Renovated of production area and office space, Phase 1 and 2 at SVI-3 (23,000 square meters).

Received excellent Corporate Governance score from IOD supported by SET/SEC

Received Supplier of the year award from our number one customer.

- 2011** Received an Outstanding Investor Relations Awards from SET market capitalization of Baht 10,000 Million or less.

A severe flood occurred during October 21 to December 05, 2011 at Bangkadi Industrial Park, water level was approximately at 4 msl. The company temporarily moved to factory at Chaeng-wattana road and the production resumed on November 08, 2011.

A recovery of Bangkadi plant started on December 08, 2011 and the plant has started production since mid of January 2012.

- 2012** Received an Outstanding Investor Relations Awards from SET market capitalization of Baht 10,000 Million or less for the second year.

After the flood, production at Bangkadi Plant started on 16 January 2012. The capacity at the end of 2012 was close to the capacity prior to the 2011 flood.



Characteristics of Business

Type of Business

The company provides turnkey Electronics Manufacturing Services (EMS) to customers who are Original Equipment Manufacturers (OEM) and Design Houses. In the beginning, the company only provided PCBA assembly services and later developed its business strategy to focus on Turnkey Box-Build and System-Build product manufacturing.

SVI's flexible manufacturing process is able to produce and meet the finished goods requirements from its many customers in the following segments:

1. Printed Circuit Board Assembly (PCBA)

The PCBA assembly service was the original business of SVI, contributing to approximately 34% of the total company's revenue in 2012.

2. Turnkey Box-Build

Apart from PCBA manufacturing, the company produces the complete box-build products. SVI provides services and advice to customers using high technology and flexible product lines with short lead-times for product delivery at competitive prices. Each of these are competitive advantages of the company. The products in this category are as follows: high frequency radio communication, satellite communication, Digital Signal Processing Audio used in radio and television station, Professional IP video and Medical products such as hearing aids. The products in this category account approximately 65% of the total revenue in 2012.

3. System-Build

System builds are advanced products that involve a more complex manufacturing process than box-build manufacturing. The company has increased its manufacturing capabilities to produce systems used in large industrial control systems and instruments. This contributes to higher revenues and added value to the company. Examples of products in this category are large boards or systems such as Temperature Control Equipment for cold storage, Blood Analysis Systems and other Laboratory Equipments used in hospitals, representing approximately 1% of the total revenue in 2012.

The products built under these three segments are classified into three major categories based on type of business as follows:

1. Industrial Control System, the majority of the company's revenue, generated 36% of total revenue in 2012. The main products are Temperature Control Equipment for cold storage, Circuit Breaker Equipment and products listed in item 2 of business type.

2. Niche System includes high end technology products as listed below:

2.1 Hi-End Office Automation, such as wireless network office communication systems, wireless network multi-functions office automation equipment (copier, printing, scanner, etc.), represented approximately 42% of the total revenue in 2012.

2.2 Hi-End Telecommunications, mainly products related to marine satellite systems or satellite broadcasts, represented 10% of total revenue in 2012.

2.3 Professional Audio and Video, mainly equipment for audio and video used in large studios, international conventions, concerts, etc., represented 8% of total revenue in 2012.

2.4 Automotive Electronics, mainly sensors used to control automotive tires, steering wheels, etc., represented 1% of total revenue last year.

3. Medical Laboratory Equipment with a rapid growth market became a new business segment of SVI. SVI has been certified by ISO 13485. Hence, SVI is ready to penetrate the market. In order to serve this business, the company built a new manufacturing line in a Clean Room as required for the dustless and clean manufacturing process. SVI's medical equipment customers are leaders in this category with high market shares and are satisfied with our performance. The 2012 revenue by this business was approximately 3% of total revenue.

Manufacturing Facility

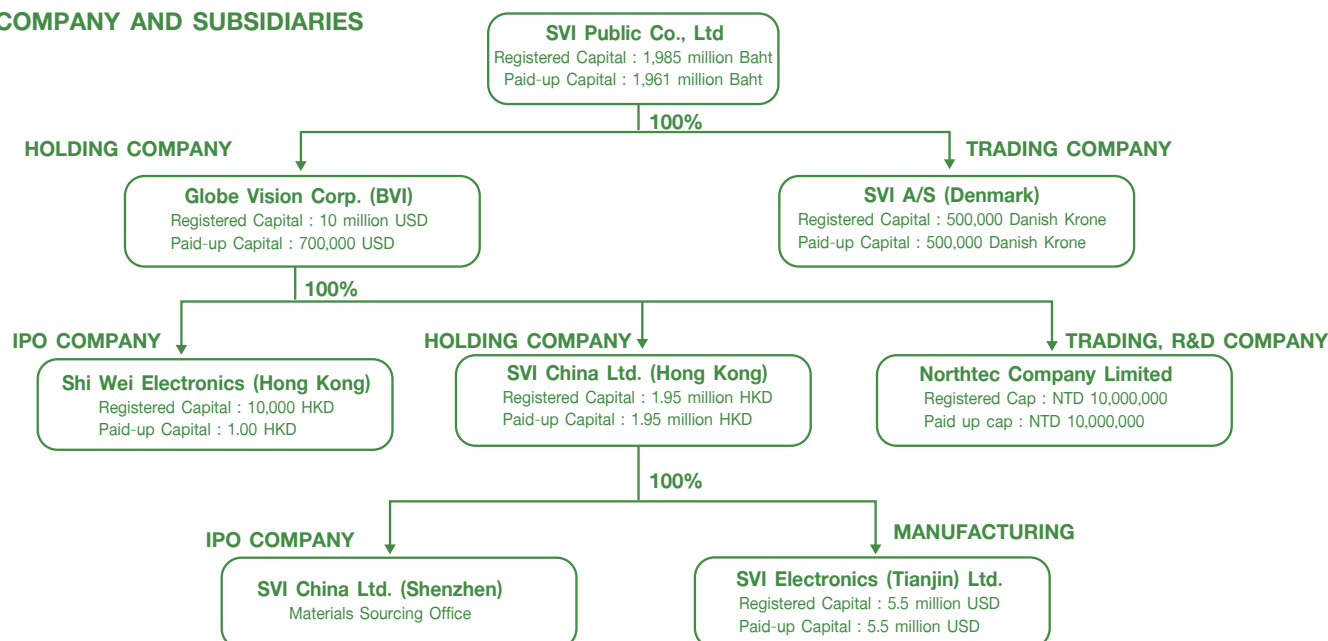
SVI has five manufacturing plants, four of which, are in Thailand and one plant in Tianjin, China. The first plant is located on Chaengwattana road, Nonthaburi province. The total area is 22,472 sq.meters, of which the office and production space is 7,800 sq. meters, and this plant focused on Hi-End Office Automation in 2012. The second plant is located at Bangkadi Industrial Park (BIP), Pathumtani with the total area is 17,215 sq.meter, office and production space is 12,000 sq. meters. There has been no production at this plant since the flood at the end of 2011. The third plant is at the headquarters, located at BIP, Pathumtani. The total area is 70,400 sq. meters, office and production space is 38,000 sq. meters. This plant is currently the primary production plant. The forth plant is located in Tianjin, China which began operations in early 2006. The total area is 7,787 sq. meters, office and production space is 5,812 sq. meters, and this plant is focused on the customers whose manufacturing bases are in China. The fifth plant is again located in the Bangkadi Industrial Park, acquired at the beginning of 2011. The total area is 30,000 sq. meters. This plant currently has no production. Its purchase is to support future business growth.

BOI Privilege

The company has been granted by the Board of Investment's (BOI) Tax Privileges for all three plants: the first plant located at Change-wattana road, Nonthaburi with the others located at Bangkadi Industrial Park, Pathumtani. The tax privileges have been granted for import duty of machinery, equipment, materials, essential materials and corporate income tax.

The details of BOI privileges are presented in Note 25 of the Financial Statement.

COMPANY AND SUBSIDIARIES



Remark: IPO = International Purchasing Office

Revenue Structure

SVI's revenues are mainly generated from Manufacturing and Sales of Electronic Products and PCBA. The company's revenue structure from 2009 to 2012 can be classified as follows:

| Income Structure | 2009 (Consolidated) | | 2010 (Consolidated) | | 2011 (Consolidated) | | 2012 (Consolidated) | |
|--------------------------------|------------------------|-------------|------------------------|-------------|------------------------|-------------|------------------------|-------------|
| | Million Baht | % | Million Baht | % | Million Baht | % | Million Baht | % |
| Sales Income | | | | | | | | |
| 1. Industrial Control | 3,519 | 53.7 | 4,076 | 49.4 | 3,951 | 46.4 | 2,801 | 32.5 |
| 2.Niche System | | | | | | | | |
| 2.1 Office Automation | 2,097 | 32.0 | 2,640 | 32.0 | 3,188 | 37.5 | 3,198 | 37.1 |
| 2.2 Telecommunications | 495 | 7.6 | 615 | 7.5 | 483 | 5.7 | 741 | 8.6 |
| 2.3 Professional Audio & Video | 273 | 4.2 | 440 | 5.3 | 369 | 4.3 | 610 | 7.1 |
| 2.4 Automotive Electronics | 6 | 0.1 | 18 | 0.2 | 126 | 1.5 | 129 | 1.5 |
| 3 Medical Laboratory Equipment | 77 | 1.2 | 290 | 3.5 | 328 | 3.9 | 225 | 2.6 |
| 4. Consumer | 19 | 0.3 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total sales income | 6,486 | 98.9 | 8,079 | 97.9 | 8,445 | 99.3 | 7,704 | 89.4 |
| Gains on exchange rates | 13 | 0.2 | 84 | 1.0 | 11 | 0.1 | 135 | 1.6 |
| Other sales incomes* | 58 | 0.9 | 91 | 1.1 | 50 | 0.6 | 780 | 9.0 |
| Total | 6,557 | 100 | 8,254 | 100 | 8,506 | 100 | 8,619 | 100 |

* Other incomes: The rental of Distribution Center and Warehouse in the Free Trade Zone and sales of scrapped materials. It was included an interim payment of Baht 730 Million for a compensation of flood damages in 2012.

Operational Improvement

In 2012, the company has mainly improved the following functions:

1. Marketing and Competition Strategy

The company has developed long-term relationships with its customers, who are mainly in mid-sized Original Equipment Manufacturers (OEMs) and Design House Companies that own products which are well-accepted among the global market. They are mainly located in the Scandinavian region, and some have subsidiaries in other countries.

Having a large percentage of customers in this group helps diversify risk caused by economic fluctuations since the subsidiaries in other countries issue their sales orders separately. If the economy slows down in one country, we can still have sales orders from the subsidiaries located in other countries. SVI's sales can be reported by region as listed below.

| Sales Income by Region | 2009 (Consolidated) | | 2010 (Consolidated) | | 2011 (Consolidated) | | 2012 (Consolidated) | |
|--|------------------------|--------------|------------------------|--------------|------------------------|--------------|------------------------|--------------|
| | Million Baht | % | Million Baht | % | Million Baht | % | Million Baht | % |
| Scandinavia | 3,795 | 58.5 | 5,001 | 61.9 | 5,235 | 62.0 | 4,950 | 64.3 |
| USA | 327 | 5.0 | 518 | 6.4 | 519 | 6.2 | 578 | 7.5 |
| Europe | 254 | 3.9 | 291 | 3.6 | 398 | 4.7 | 521 | 6.8 |
| Global (customers who have subsidiaries in many countries) | 1,936 | 29.9 | 2,001 | 24.8 | 2,045 | 24.2 | 1,275 | 16.5 |
| Total Overseas Market | 6,313 | 97.3 | 7,810 | 96.7 | 8,197 | 97.1 | 7,324 | 95.1 |
| Domestic & Others | 173 | 2.7 | 268 | 3.3 | 248 | 2.9 | 380 | 4.9 |
| Total Sales* | 6,486 | 100.0 | 8,079 | 100.0 | 8,445 | 100.0 | 7,704 | 100.0 |

*Excluding other incomes

In order to compete in its markets, SVI's strategic plan focuses on efficient operations management, manufacturing processes, high valued products and quality assurance as follows:

Operations Management

We offer a complete, dynamic, turn-key service to customers by providing material procurement to customers who require us to be their material supplier. We have professional technician teams to advise customers for PCBA quality enhancement prior to starting actual production in order to boost efficiency and save costs. We also provide design services for test equipment in order to test finished products before delivery to ensure customers' satisfaction.

The NPI (New Product Innovation) team has been established to provide prototype and quick turn-around service to customers, enabling SVI to be more competitive in terms of time to the market and design involvement from the beginning of product life cycle.

Manufacturing

SVI expanded its capacity along with the improvement of product quality and production capability. This supports the growing demand of customers, product technology, including high complexity of production process for high-end and system build products. SVI continued to renovate production floor space. Additional Surface Mount Technology (SMT), Flip Chips, X-Ray and Coating machines were also installed. Those machines are hi-technology and improve efficiency in the production process.

Product

The Company has focused to produce high value-added products in the Industrial Control and Office Automation categories. These products have high labor costs, require high technology but also have a long life-cycle. The Company has purposely avoided production of consumer products and mobile phones because they are low value added products which have rapid changes in design and technology. With regards to the high value-added products, volumes are low and products have a high mix; therefore, large industry players do not focus on this business category. Small to medium sized businesses also avoid this category due to the lack of efficient materials management and production skills.

Quality Assurance

In recognition of our commitment to excellence in the manufacturing business, SVI received recognition for international quality and environmental management standards as follows:

- 1995 Received the quality certificate ISO 9002:1994 from TRADA, a leading multi-sector certification body accredited by UKAS (United Kingdom Accreditation Service).
- 1999 Received the quality certificate ISO 9002:1994 from QSU (Quality Science Universal), Singapore.
- 2002 Received ISO 14001:1996, the Environmental Management System certificate, from the AJA Registrars.
Received ISO/TS 16949:2002, the quality certificate which is the highest quality standard specified by the automotive industry, from TUV Rheinland Thailand Ltd. Some parts of ISO/TS 16949:2002 standard derive from ISO 9001:2000 which is an upgraded certificate of ISO 9002:1994 the company received in 1995.
- 2003 Passed the basic test of the quality standard ISO 13485:2002, a standard in manufacturing medical equipment.
- 2005 Expanded quality management system of ISO 9001:2000 and ISO/ TS 16949:2002 to SVI-2 and all system was certified by TUV Rheinland Thailand Ltd.
Received new version of ISO 14001:2004, the Environmental Management System certificate, which is an upgraded standard from ISO 14001:1996 received earlier from the AJA Registrars.
- 2006 Passed the surveillance audit of ISO 9001:2000, ISO/TS 16949:2002 and ISO 14001:2004.
SVI-3, located in Tianjin, China started operation and later received ISO 9001:2000 Quality Management System certificate from TUV Rheinland Thailand Ltd.

- 2007 Passed the surveillance audit of ISO 9001:2000, ISO/TS 16949:2002, ISO 14001:2004.
- SVI-3, located in Tianjin, China received ISO 9001:2000 with the expansion of product quality certification from only PCBA to both PCBA and Box-Build.
- SVI-3 passed the basic test of ISO 14001:2004, Environmental Management System, certified by the Chinese organization.
- 2008 In accordance with the Surveillance Audit, the new document control system (DocMASTER System), which is an on online document controlling system, has been implemented for SVI's factory in Thailand and China as well.
- This system has been recognized, both internal and external customers have been satisfied, and accepted by ISO 9001:2000, ISO/TS 16949:2002 and ISO 14001:2004.
- 2009 Successfully passed ISO audit certification with new version ISO9001:2008 , TS16949: 2009
- Awarded ISO Certification for Medical Devices and Hearing Aid Accessories – ISO13485 by British Standard Institute (BSI) Thailand.
- 2010 Successfully passed the audit certification for ISO9001:2008, TS16949:2009, ISO13485:2003 and Environmental Management System ISO14001:2004. We have to be certified for those certificates every year.
- 2011 Bangkadi plants successfully passed OSHE Certification (ISO14001:2004 and OHSAS18001:2007) from the AJA Registrars.
- Chaeng-Wattana plant has been under contingency plan per Business Continual Improvement Procedure and Quality System Management from TUV Rhienland ISO9001:2008 and ISO/TS16949:2009 since April 3, 2010 to February 11,2012
- 2012 Successfully passed ISO9001:2008 Certification for general products, TS16949:2009 for Automotive Products and ISO13485:2003 for Medical Products from Certified Body TUV Rheinland from Germany and BSI from England respectively.

2. Material Sourcing

Most of our major materials are imported from Denmark, Singapore, Hong Kong, Japan and USA. SVI gives the highest attention to costs and delivery time when sourcing for raw materials. Since the Company has efficient materials management, we maintain a smooth production process and continually serve customers' orders.

SVI also has a strong strategy for the materials sourcing which applies to our international purchasing offices located at Denmark, China and Thailand. However, the materials purchasing functions are centralized at Thailand office, in which the lists of required materials are distributed to those selected suppliers and the final decision is made by the Headquarters with consideration to the cost, performance, and other conditions. We also have an e-bidding system in place. The company continually improves the material sourcing and procurement system both from overseas and local sources that are able to deliver at reasonable costs and quality of products.

3. Product Testing

Prior to starting mass production, SVI performs test runs in order to ensure the quality of the products produced meet customers' requirements and approvals. Product testing helps minimize risks from technology transfers or test requirements.

4. Environmental Care

SVI controls material waste from production processes by assigning companies, licensed by The Industrial Works Department, Ministry of Industry, to be responsible for all solid waste. Moreover, SVI constructed vapor ducts at soldering stations to separate gas and contamination particles by using Wet Scrubbers to ensure only clean air is released back to the atmosphere. All in all, SVI has not seen any substantial expense or conflicts on any environmental issues. Instead of using cleaning liquid with CFC chemicals as a mixing component, the ingredients were changed to a water-based solution.

Our cooperation with the Department of Health, Ministry of Public Health to follow up and report the quality measurement ensures our environmental management is in compliance with the law at all times. To achieve this, SVI has set up the Occupational Health & Safety Environmental Committee (OSHE Committee) to take care of the environmental matters, reduce pollution problems, and maintain good quality of life for its employees, community and society.

Industry and Competition Trend

Electronics Manufacturing Services (EMS) is an industry designed to support the electronics products industry. This business primarily depends on the global economic situation and overall demand of electronics products. In Thailand, most of the EMS and electronics products are produced for export, and the value of exports have been gradually increasing for many consecutive years.

Industrial Control products manufactured at SVI are slightly dependent on the economic condition since the demand of this product category is generated by variety of industries. Once there is a recession in one specific industry, SVI can change its direction to better serve other industries. Also, selling price is not the main factor for competition because the quality of products is the primary factor considered by customers.

Our competitors in the European and Scandinavian markets are companies from USA, China and Malaysia. In the U.S. market, our competition is based out of South Korea, Mexico, Malaysia, and the U.S. itself. SVI has a great cost advantage compared to the EMS providers located in the U.S. and Europe. Additionally when compared to Chinese manufacturers, our advantages are product quality, customer service, and product development for manufacturing. Currently, SVI has six major competitors located in the following regions: three are located in Scandinavia, one is located in Malaysia and the other two are located in Thailand. One of the two competitors in Thailand has an overseas headquarters.

Risk Assessment

There are some potential risks that could affect the SVI's business operations. The actions below are for minimizing exposure to such risks.

1. Operational Risks

1.1 Supplied Materials Risk

SVI realizes that Supply Chain Management is critical to a successful business. The Company is aware of and focuses on material issues to ensure competitive pricing, quality, delivery and service from our supply base. Although there may be some instances that affect the electronics industry in or outside of Thailand, the Company regularly reviews our prevention plan and strategy to avoid any negative affects to the material requirements of the Company.

SVI implements a number of methods to minimize these risks. We closely monitor the market of materials supply and related issues to see where a potential problem may occur. Also, SVI works proactively with key suppliers to implement new techniques and advanced systems in managing materials supply productively such as VMI (Vendor Managed Inventory) program and providing forecasts to ensure suppliers are preparing products ahead of required dates. In addition, VPA (Volume Price Agreement) technique has been applied for better prices which can help the Company in cost reductions.

In addition, we establish effective communication systems with suppliers to obtain all materials related information accurate and on time. This helps us determine the potential risk and prepare contingency plans. Furthermore, the Company and its overseas sourcing offices in Denmark, China and Taiwan connect directly with approved manufacturers to develop key components or parts together. This advantage provides better service to continuously support our production lines.

1.2 Risk from dependency on a major product segment or customer

The Industrial Control product category contains the highest proportion of our revenue, accounting for 36% of total revenue in 2012 which was relatively similar 2011. Revenue generated from customers in Scandinavia accounted for 64% and 62% of our revenue in the past 2 years. However in the past three years, there were no customers that accounted for proportions of revenue higher than 40%.

Due to the high proportion of revenue generated from the Industrial Control product category and Scandinavian market, there are risks associated with declining demand or changing features of Industrial Control Products, change of trade policies, or an economic recession in Scandinavian market.

However, the demand in this category has less fluctuation. The Company also closely monitors the market situation and regulatory requirements and constantly adjusts its production to comply with the laws issued by EU Committee i.e. the RoHS (Restriction of Hazardous Substances) standard, an EU-Directive in hazardous materials used in electrical and electronic products. Moreover, SVI expanded its production capacity by investing in its plants in Bangkok and SVI-Tianjin, China to support the customers' orders from Scandinavian market as well as to diversify our source of revenue.

In 2011 and 2012, the Company successfully gained more market share in the medical, automotive, and high technological communication system markets. Moreover, the Company plans to expand our customer base to other regions as follows: Japan, USA, and Central Europe. The result will minimize the risk from dependency on a major product or market segment.

2. Technology Risk Management

In order to sustain our customer base in the high-tech market sector, SVI must demonstrate its ability to produce products to the customers' required level of technology. SVI prides itself in its technological expertise and remains a leader by:

2.1 Participating in the world class organization for standards: IPC, The Association Connecting Electronics Industries.

2.2 Regularly reviewing and participating in conferences and technical trainings from world class manufacturers/suppliers for technology of automation machineries, materials, and processes.

2.3 Participating with the customers' R&D at the early phase of design with NPI organization.

2.4 Participating and utilizing the R&D service from NSTDA (National Science and Technology Development Agency) and Academic Institute for optimization and research as required.

3. Financial Risks

3.1 Risk from currency exchange volatility

The Company's major revenues and costs are in foreign currencies. The US Dollar is the main currency for both revenues and expenditures. The fluctuation of exchange rate can affect our revenues and the cost of sales as well as assets and liability accounts. With regards to the major currency of purchasing transactions, sales and long term loans are in USD, which contributes to the gains or losses from the exchange rates based on accounting transactions.

In 2012, the USD and Euro revenues were 85% and 14% of total revenue respectively; whereas, the material costs purchased in the USD were approximately at 76% of total cost of sales. Thus, SVI's exchange rate risk was minimized by a natural hedge. Additionally, SVI reduced exchange rate risk of excess exposure with the purchase Forward Exchange Contracts at the sufficient amount for "Thai Baht" requirements, which is an effective tool in minimizing risks of exchange rate fluctuation.

3.2 Risk from a major Shareholder holding more than 50 % of total shares

As of December 31, 2012, SVI's major shareholders are listed below :

- MFG Solution Co.,Ltd. (MFG), holding 47.9% of total issued shares. Pongsak Lothongkam, the Company's Chief Executive Officer, owns 99.96% of total shares of MFG Solution Co., Ltd.
- Pongsak Lothongkam holding 6.4% of total issued shares.

The number of shares held by MFG Solution Co., Ltd and Pongsak Lothongkam accounted more than 50% of total issued shares; thus, Pongsak Lothongkam has absolute control over the result of votes in the shareholder meetings which affect director nominations and other resolutions that require majority votes. The minority shareholders would have difficulty gathering sufficient votes for a checks and balance system. However, the major shareholder will refrain from voting on any subject that possibly relates to a conflict of interest.

3.3 Risk from dilution effect of exercised warrants

As of December 31, 2012, SVI had remaining 24,078,750 units of the right warrants (ESOP 5) which enables the right to buy SVI common shares at exercise price of Baht 2 per 1 share.

If the ESOP 5 were all exercised, the voting rights of the existing shareholders would decrease by 1.2%.

4. Risk of Natural Disaster

A Natural Disaster is a factor that may interrupt the Company's business operations. It could be from flood, storm, volcanic eruption, earthquake, tsunami, land slide, space object, etc. As in 2011, the most likely natural disaster would be from flooding.

In order to reduce the risk of flooding at Bangkadi Industrial Parks (BIP) where SVI's headquarters is located, BIP has established its flood protection project in order to prevent flooding in the future. New dikes measuring 5 meters above sea level have been built around the BIP premises. Additionally, the road in front of BIP is currently under construction and will be raised an additional 60 cm for better protection. Also, the Provincial Electricity Authority (PEA) will change its system to Gas Insulated Switchgear (GIS) which will be installed inside the building. As for the Company itself, we have renovated the production floor for specific areas to include a second floor as a potential storage place for machinery. Meanwhile, the plant at Chaengwattana has been renovated and operated as a secondary plant. Moreover, the Tianjin plant in China has expanded and added more production lines. Our future plan is to renovate and lift the floor level of SVI-2 at BIP for new production lines. Lastly, SVI is developing a feasibility study to expand our production to a specific neighbouring country to diversify risk and increase capacity.

Financial Structure

Capital (as of December 30th, 2012)

- Registered: 1,985,178,736 Baht
- Paid – Up: 1,961,099,986 Baht
- Common Stock: (1 Baht per share) 1,961,099,986 Shares
- Warrant (ESOP5) unexercised : 24,078,750 Units

Shareholding

List of the top 10 major shareholders including the number of shares and the percentage of total shares upon closing of registration book as of September 5th, 2012 are as follows:

| No. | Name | No. of Share | Percentage of Total Share |
|-----|-----------------------------------|--------------|---------------------------|
| 1 | MFG Solution Co.,Ltd. | 939,702,284 | 47.9 |
| 2 | Mr. Pongsak Lothongkam | 125,925,000 | 6.4 |
| 3 | HSBC (SINGAPORE) NOMINEES PTE LTD | 58,026,600 | 3.0 |
| 4 | Thai NVDR | 30,114,222 | 1.5 |
| 5 | SVI Public Company Limited | 30,081,800 | 1.5 |
| 6 | Dr. Suvarn Valaisathien | 20,417,000 | 1.0 |
| 7 | Mr. Suwat Niyomsathien | 19,100,000 | 1.0 |
| 8 | Mr.Chalee Valaisathien | 14,567,284 | 0.7 |
| 9 | Mrs. Supan Suramethakul | 13,215,000 | 0.7 |
| 10 | Mr. Harkishin Thunwanee | 13,000,000 | 0.7 |

* Mr.Pongsak Lothongkam owns 99.96% share of MFG Solution Co.,Ltd.

Investors can find an updated major shareholder list from the Company's IR website (<http://investorrelations.svi.co.th>) before the Annual General Shareholder Meeting is conducted.

Dividend Policy

The policy is to pay dividend of at least 30% of consolidated net profit after deductions of all reserves required by law and the Company. However, it depends on operating performance, cash flow, investment plans, financial status, restriction of laws and other considerations as deemed appropriate for the Company and its Subsidiaries. The payment of dividends is subject to final approval from the shareholders.

The table below shows the Company's dividend payments for the past three years.

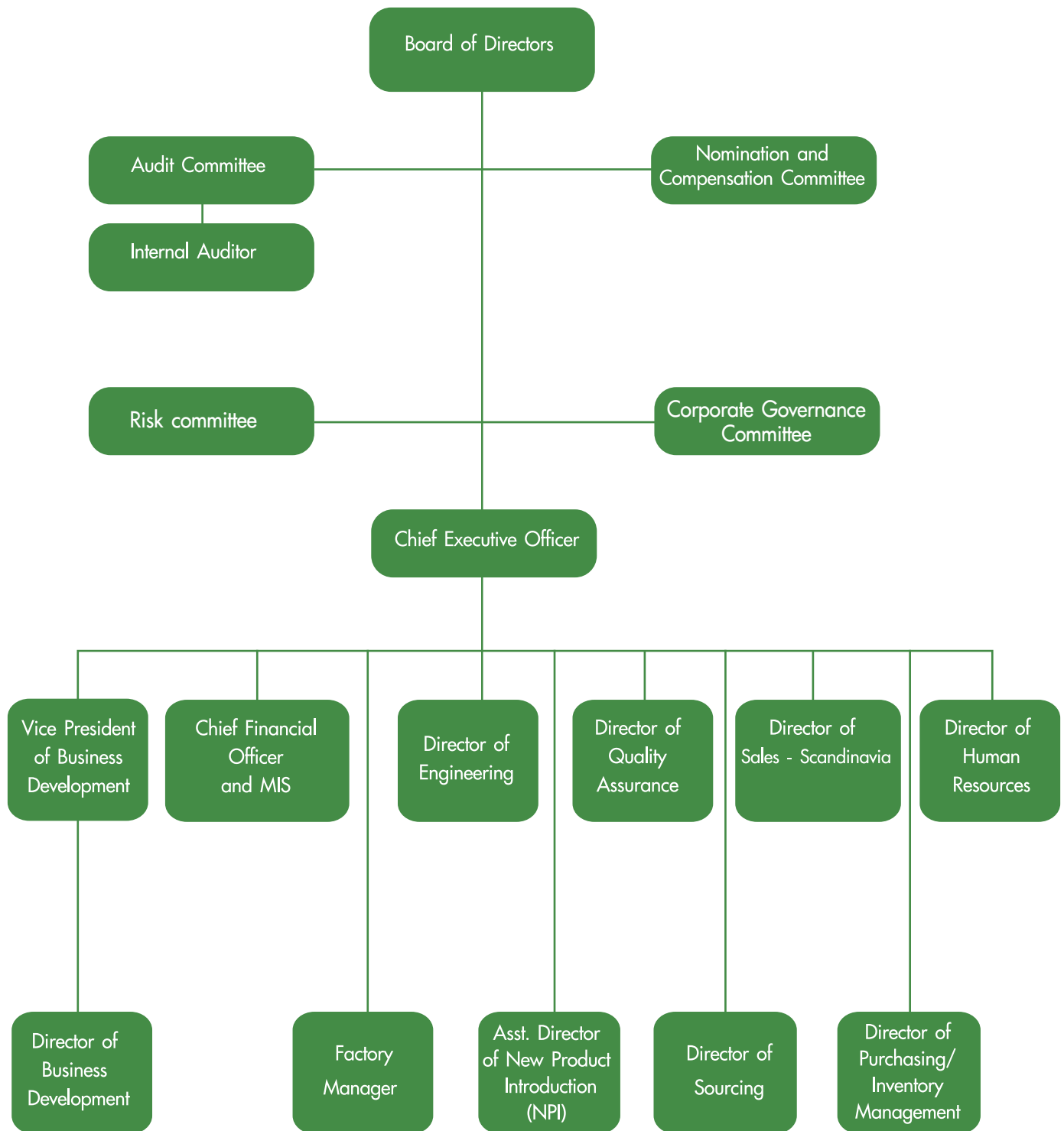
| Year Earned | Dividend Payment (Baht per Share) |
|-------------|-----------------------------------|
| 2009 | 1.0529 |
| 2010 | 0.2000 |
| 2011 | No dividend |

Treasury Stock

There was a resolution from the Board of Directors meeting dated September 2, 2011 which approved a share repurchase program for the purpose of financial management. The company repurchased stocks from the Stock Exchange of Thailand (SET) on September 19, 2011 to March 16, 2012 totaling 30,081,800 shares or 1.53% of paid up capital.

The Board of Directors has approved the resale of shares repurchased, starting from September 14, 2012 to March 16, 2015.

Organizational Management Structure



Organizational Management

The Company management structure comprises of the Board of Directors and five Sub-Committees: Audit Committee, Nomination and Compensation Committee, Risk Management Committee, Corporate Governance Committee, and Executive Management, details below.

Board of Directors

As of December 31st, 2012, SVI's Board of Directors consisted of 5 members as follows:

| Name | Position |
|-----------------------------|--|
| 1. Dr. Suvarn Valaisathien* | Chairman of the Board of Directors, Independent Director |
| 2. Dr. Pruchya Piumsomboon | Independent Director |
| 3. Mr. Threekwan Bunnag | Independent Director |
| 4. Mr. Virapan Pulges* | Director |
| 5. Mr. Pongsak Lothongkam | Director |

Mrs. Pissamai Saibua is the Board of Directors' secretary and Company's secretary

** The 2012 Annual General Meeting reappointed Dr. Suvarn Valaisathien and Mr. Virapan Pulges be the Company's directors for another term.*

The Authorized Director

Two Directors, Mr. Virapan Pulges and Mr. Pongsak Lothongkam, are empowered to jointly sign on behalf of the Company with the Company seal affixed.

Authority and Responsibilities of the Board of Directors

1. To undertake duties in accordance with the law, objectives, company rules, and shareholders resolutions in an honest, careful approach for the sake of the company with accountability to the shareholders' interests.
2. To set policies and the direction of the company as well as monitor and supervise management for operating in accordance to the policies in an efficient and productive manner in order to maximize economic value and shareholders' wealth and comply with the law and good corporate governance principles.
3. To constantly follow up with the operations of the company and alert legal actions in line with the conditions set out in related contracts of the company as well as instruct management to inform important matters that enable effective management of the company's business.
4. To ensure the company implements good corporate governance, effective internal control systems, internal auditing processes, risk management, and approve Audit Committee's report.
5. To independently to express their own discretion on management strategies, resource utilization, directors' appointment, business standards, and to object the actions of other directors or management in case of matters conflict to the equitable treatment of shareholders.
6. To arrange regular Board of Directors Meetings, at least once a quarter, to consider the business of the company with the presence of as many directors as possible.
7. To vote on important matters in addition to appointing independent directors who are not involved in the daily management of the company. The independent directors are free to make decisions and are not influenced by any major shareholders in exercising their decision in order to boost the confidence of shareholders, minority shareholders and other related parties in the Company.
8. To disclose conflicts of interest of their own and/or related persons in relation to the Company or subsidiaries' interests according to the regulations, conditions and frameworks set by the SEC.
9. To consider and approve the company's budget for annual spending and capital expenditures as well as ensure the company controls the spending under the approved budget. The additional approval is required if the company has any expenses that not are included in the approved budget, more than 10 Million Baht. Any additional investment in

subsidiaries or purchases of land and buildings require board's approval.

The Board of Directors can either undertake or cancel the appointment of delegates to operate the Company's business under its control within an appropriate time. The delegation of authority must not be carried out in a nature that will enable the delegates, or the persons authorized by the delegates, to approve the transactions in which they may have a conflict of interest with the Company or its subsidiaries as announced by SEC/SET.

The Board of Directors' Secretary

The Board of Directors has appointed its secretary to advise on laws and procedures with which the Board of Directors must comply. The secretary is also responsible for the Board of Directors' meeting, shareholders' meeting, minutes of meeting, annual report, information distribution and other reports as to assure the Company's compliance to relevant laws and regulations on the information disclosure.

Company's Secretary

To comply with good governance practice, the Directors appointed Ms. Pissamai Saibua to be the Company's secretary assisting the Directors in ensuring the Company has appropriate, efficient and transparent operations. On behalf of the Directors, the Company's secretary's responsibilities are as follows:

1. Preparation and proper stowage of the following documents
 - 1.1 Directors' registration
 - 1.2 Invitation Letter to the Meeting and Minutes of Directors' Meeting and the Company's Annual Report
 - 1.3 Invitation Letter to shareholders and Minutes of the Shareholders Meeting
2. Maintaining the reports of the company's connected transactions disclosure, reported by Directors or management
3. Perform other duties as assigned by the Board of Directors
4. Organize the Shareholders Meetings and Board of Directors Meetings in accordance with the laws, Company's Articles of Association and other relevant requirements
5. Draft management policies
6. Record the Minutes of Shareholders Meeting and the Minutes of the Board of Directors Meeting and follow up on the compliance of the resolutions
7. Ensure that disclosure of data and information is under the responsibility of the authorized parties in the Company under the regulations and requirements of such authorities
8. Ensure the Company's and the Board of Directors' compliance with the laws and requirements of SEC/ SET
9. Promote and standardize good corporate governance in the company
10. Communicate with the shareholders to ensure that shareholders obtain their entitlements and the information of the Company
11. Manage the activities of the Board of Directors

Audit Committee

The Board of Directors appointed the Audit Committee with qualifications which fully complied with the criteria of the Stock Exchange of Thailand to review business operations, financial reports, and internal control systems, to select independent auditors, and to review conflicts of interest. The members of the Audit Committee have qualified knowledge and experiences to review the reliability of the financial statements.

As of December 31st, 2012, the Audit Committee consists of three independent directors as follows:

| Name | Position |
|----------------------------|--|
| 1. Mr. Threekwan Bunnag | Chairman of the Audit Committee with accounting and financial knowledge and experience |
| 2. Dr. Suvarn Valaisathien | Audit Committee Member |
| 3. Dr. Pruchya Piumsomboon | Audit Committee Member |

Ms. Nisaratt Rattanapugdee acted as the Audit Committee's secretary

Authority and Responsibilities of the Audit Committee

The Audit Committee has authority and responsibilities as assigned by the Board of Directors as follows:

1. Review financial reports for accuracy, reliability, and adequacy of information disclosed by cooperating with the external auditor and responsible executives in preparing financial reports both quarterly and annually.
2. Review internal control, internal audit, and risk management systems of the Company to ensure suitability and efficiency and recommend further review or audit as necessary, which may also include improvements on internal control and risk management systems. These reports must be submitted to the board.
3. Ensure corporate practices are in line with Securities and Exchange laws or SET requirements, as well as policies, regulations, rules, and other laws pertaining to the Company's operations.
4. Check corporate documents when in doubt about activities which could significantly impact the Company's financial status and operating performance, and when there are conflicts of interest, violation of laws, rules, and regulations are possible.
5. Deliberate disclosure of corporate information in case of related party transactions or potential conflicts of interest in accordance with laws and SET regulations to ensure sensible transactions and for maximum benefits to the Company.
6. Select and recommend the appointment of independent auditors and their remuneration giving consideration to reliability and adequacy of resources, and financial auditing workload of independent auditors, including experiences of personnel assigned to audit the Company's accounts, as well as arrange meetings with the Company's auditors without attendance of executive management at least once a year.
7. Prepare and to disclose in the Company's annual report, Audit Committee's report as signed by the Chairman of the Audit Committee with the following information:
 - 7.1. an opinion on the accuracy, completeness and reliability of the Company's financial report
 - 7.2. an opinion on the adequacy of the Company's internal control system
 - 7.3. an opinion on the compliance with the law on securities and exchange, the Exchange's regulations, or the laws relating to the Company's business
 - 7.4. an opinion on the suitability of the auditor
 - 7.5. an opinion on the transactions that may lead to conflicts of interests
 - 7.6. the number of the Audit Committee meetings, and the attendance of such meetings by each Committee member
 - 7.7. other transactions which, according to the Audit Committee's opinion, should be made known to the shareholders and general investors, subject to the scope of duties and responsibilities assigned by the Company's Board of Directors
8. Promote the development of the Company's financial reporting system to meet international accounting standards.
9. Review the internal audit plan according to internationally accepted methods and standards.
10. Ensure independence of the Internal Audit unit, as well as to approve the appointment, transfer and dismissal of the chief of internal audit unit.
11. Prepare the Audit Committee report signed by the Chairman of the Audit Committee and disclose in the Company's annual report according to principles required by SET.
12. Perform other tasks as assigned by the Board of Directors and concurred by the Audit Committee.
13. Report directly to the Company's Board of Directors.

Nomination and Compensation Committee

As of December 31st, 2012, SVI's Nomination and Compensation Committee consisted of 4 members:

| Name | Position |
|----------------------------|---|
| 1. Dr. Suvarn Valaisathien | Chairman of the Nomination and Compensation Committee |
| 2. Dr. Pruchya Piumsomboon | Director of Nomination and Compensation Committee |
| 3. Mr. Threekwan Bunnag | Director of Nomination and Compensation Committee |
| 4. Mr. Pongsak Lothongkam | Director of Nomination and Compensation Committee |

Mr. Manoon Noonate is the Nomination and Compensation Committee's secretary

Authority and Responsibilities of the Nomination and Compensation Committee

1. To nominate and approve the appointment of the Company's Board of Directors and Chief Executive Officer.
2. To reasonably consider the criteria of remuneration policy for the Company's Board of Directors and the Chief Executive Officer.
3. To review and approve Employee Stock Option Program (ESOP) offered to employees and propose this program for Board of Directors' approval.

Risk Management Committee

As of December 31st, 2012, Risk committee consisted of 5 members:

| Name | Position |
|----------------------------|---|
| 1. Mr. Ruangpoj Phakdurong | Chairman of the Risk Management Committee |
| 2. Mr. Manoon Noonate | Committee Member |
| 3. Dr. Raymond Ramiah | Committee Member |
| 4. Mr. Virat Phugthai | Committee Member |
| 5. Mr. Wayne Ellis | Committee Member |

Dr. Pruchya Piumsomboon , (Independence Director) is the committee's advisor

Mr. Manoon Noonate is the Risk Committee's secretary

Authority and Responsibilities of Risk Management Committee

1. Define risks factors that will impact the company's business.
2. Define the risk management policies as to manage the risk at an acceptable level.
3. Define the risk management process according to the risk management policies and follow up the effectiveness of the practice against the predefined process.
4. Review and ensure that the practices of risk management are adequate, appropriate and practiced continuously so the risks can be managed at an acceptable level.
5. Present the overall risks of the Company including management process, and the result of performance to the Company's Board of Directors on a quarterly basis.

The term of a member of the Risk Committee is two years; however, the retiring members are eligible to re-election for another term by getting approval from the company's board of directors.

Corporate Governance Committee

As of December 31st, 2012, Risk committee consisted of 5 members:

| Name | Position |
|----------------------------|--|
| 1. Mr. Phichet Kanoksirima | Chairman of the Corporate Governance Committee |
| 2. Mrs. Tanyarat Tessalee* | Committee Member |
| 3. Mr. Verne Mundell | Committee Member |
| 4. Mr. Naris Chandang | Committee Member |
| 5. Mr. Chalerm Chartrakull | Committee Member |

Mr. Threekwan Bunnag is the committee's advisor

*Mrs. Tanyarat Tessalee is the Corporate Governance Committee's secretary**

Authority and Responsibilities of Corporate Governance Committee

1. Propose the appropriate and practical guidance to the Company's Board of Directors.
2. Manage and control the company operations in accordance with the company's good corporate governance, policies, and related laws.
3. Define and review importance policies and procedures and revise them to ensure appropriateness on a regular basis.
4. Report to the Company's Board of Directors regarding the result of good corporate governance including comments for further improvement.
5. The CG Committee shall conduct the meeting at least two times annually, depending on necessity and appropriateness. The result of the meeting shall be reported to the Company's Board of Directors.

The term of a Corporate Governance Committee member is two years; however, the retiring members are eligible to re-election for another term by getting approval from the company's board of directors.

Management

As of December 31st, 2012, SVI's Management consisted of 9 members:

| Name | Position |
|----------------------------------|---|
| 1. Mr. Pongsak Lothongkam | Chief Executive Officer |
| 2. Mr. Ruangpoj Phakdurong | Vice President of Business Development |
| 3. Mrs. Pissamai Saibua | Chief Financial Officer |
| 4. Mr. Carsten Bremerskov Kaysen | Director of Sales - Scandinavia |
| 5. Mr. Phichet Kanoksirima | Director of Purchasing / Inventory Management |
| 6. Mr. Virat Phugthai | Director of Business Development |
| 7. Dr. Raymond Ramiah | Director of Quality Assurance |
| 8. Mr. Manoon Noonate | Director of Human Resources |
| 9. Mr. Wayne Ellis | Director of Global Sourcing |

Authority and Responsibilities of the Chief Executive Officer

1. To take actions on behalf of the Board of Directors in managing the business of the Company and ensure that such actions are taken under rules, regulations, policies and resolutions set by the Board and the shareholders meeting.
2. To be responsible for operating the Company, managing the business in line with the objectives, business plan, policies, budget rules and regulations approved by the Board.
3. To manage and control the company's day to day routine business.
4. To set objectives, policies and strategies of the Company as well as direct and monitor overall operations for maximizing benefits of the Company and to report the company's performance to the Board.
5. To regularly follow up and evaluate performance of the Company in order to avoid any risk both internally and externally. To report and update the information on financial results, operational management to the management team, the audit committee and the Board.
6. To be responsible for the organizational changes of the Company under the supervision of the Board as well as to make decisions on the appointment, transfer and deposition of employees. To set the salary rate, remuneration, bonus and other fringe benefits for employees.
7. To authorize, instruct, announce, and record, as to ensure that the company can comply with the policies and internal discipline.
8. To approve all actions under the rules and resolutions from the Board of Directors Meeting.
9. To delegate authority to other persons to operate any specific functions on their behalf. This delegation has been made under the limitation stated in the Power of Attorney and/or to comply with the rules, regulations and instruction of the Board.
10. To perform any other actions as assigned by the Board occasionally.

The delegation of authority to the Chief Executive Officer may not be carried out in a nature that will enable the Chief Executive Officer, or the persons authorized by the Chief Executive Officer, to approve the transactions in which they may have a conflict of interest with the Company or its subsidiaries.

Nomination of Directors and Management

The criteria on selection and appointment of directors as described in the Company's articles of association states that there is no qualification that conflicts with the SEC's/SET's rules and regulations. The qualified directors should be honest with proper management skills. Nomination of directors comes from the resolution of the Board of Directors and approved by Shareholders' Meeting.

Appointment of the Board of Directors

The Board of Directors shall consist of at least five persons and 50% of them must be residents of the Kingdom of Thailand. Their qualifications must comply with the law and each of them can not be a director of more than five listed companies.

In accordance with the company's Articles and Association, the directors shall be elected at the Shareholders' Meeting based on the following criteria and procedures:

1. Each shareholder shall have one vote per one share.
2. Each shareholder may exercise all the votes as stated in item 1 for voting one or several persons to be a director or directors; however, the shareholder cannot split or share the votes to select each director separately.
3. Persons who receive the highest votes sequencing from higher to lower votes are elected to be the directors of the Company per the numbers required that year. In the case, if the votes are even for the last required director, making the number of directors more than that required, the chairman of the meeting will have a casting vote.

At every annual ordinary shareholders' meeting, one-third (1/3) of the directors, or if the number of directors cannot be divided exactly into three parts, the number of directors nearest to one-third (1/3), shall vacate office.

The directors to vacate office in the first and second years following the registration of the Company shall be drawn by lots. In subsequent years, the directors who have remained in office for the longest time shall vacate office. A retiring director may be eligible for re-election with no limitation of time.

Nomination of Independent Directors

The Company appoints independent directors who are not major shareholders, employees or consultants as well as do not have a conflict of interest with the Company or its subsidiaries. The independent directors shall not hold shares more than 1% of issued shares of the Company and subsidiaries. Each of them cannot be a director of more than five listed companies.

Nomination of the Audit Committee

The Company's Audit Committee consists of three members. All members are independent, cannot be a member of management team. They should have a law, accounting and/or finance qualification. At least one member of the Audit committee is required to possess financial capability.

The Audit Committee assists the Board in fulfilling the Company's good corporate governance, particularly in providing the vision of the business, commenting on financial reports and internal control systems, and monitoring the accuracy and sufficiency of the disclosure of financial reports. All these actions enhance the quality and add value to the said reports. The chairman of the Audit Committee and its members shall remain in position a for two-year term.

Nomination and Compensation Committee

The company selects members of the Nomination and Compensation Committee from directors who are capable, knowledgeable, experienced, and have a good connection with many capable, knowledgeable and qualified candidates in various organizations.

Nomination of Risk Management Committee

The company selects members on the Risk Management Committee from the company's executives who are capable and knowledgeable in this subject and propose to the company's board of directors for approval. There is a director nominated by the board of directors to be an adviser of the Committee.

Nomination of Corporate Governance Committee

The company selects members on the Corporate Governance Committee from the company's executives who are capable and knowledgeable in this subject and propose to the company's board of directors for approval. There is a director nominated by the board of directors to be an adviser of the Committee.

Nomination of Management

The Board of Directors authorizes the Chief Executive Officer to recruit for qualified management.

Director Remuneration

In 2012, a total of 4,820,000 Baht was paid to the Company's Board of Directors and sub committees as following details.

| | Director Bonus | Director Fee | Meeting Allowance | | | | Total |
|----------------------------|------------------|------------------|--------------------|-----------------|---------------------------------------|------------------------|------------------|
| | | | Board of Directors | Audit Committee | Nomination and Compensation Committee | Annual General Meeting | |
| 1. Dr. Suvarn Valaisathien | 300,000 | 600,000 | 120,000 | 80,000 | 30,000 | 30,000 | 1,160,000 |
| 2. Dr. Pruchya Piumsomboon | 250,000 | 600,000 | 80,000 | 80,000 | 20,000 | 20,000 | 1,050,000 |
| 3. Mr. Threekwan Bunnag | 250,000 | 600,000 | 80,000 | 120,000 | 20,000 | 20,000 | 1,090,000 |
| 4. Mr. Virapan Pulges | 250,000 | 400,000 | 80,000 | 0 | 0 | 20,000 | 750,000 |
| 5. Mr. Pongsak Lothongkam | 250,000 | 400,000 | 80,000 | 0 | 20,000 | 20,000 | 770,000 |
| Total | 1,300,000 | 2,600,000 | 440,000 | 280,000 | 90,000 | 110,000 | 4,820,000 |

Management Remuneration

In 2012, a total of 51,798,099.58 Baht was paid to the Company's management executives per the following details.

| Type of Remuneration | 2012 | |
|--------------------------|----------------------|---------------|
| | Number of Management | Baht |
| Monthly Salary and Bonus | *15 | 50,483,307.58 |
| Provident Fund | 11 | 1,314,792 |

(Two directors have resigned from the company in 2012)

Provident Fund

The provident fund has been registered as the "Sin Permpoon Provident Fund" with Bangkok Bank Public Co. Ltd. as the fund manager. All executives and employees are entitled to apply as members of the fund. The members contribute 3% of their monthly salary to the fund. The employer contributes to the fund on the same day. The employer's contribution rate in percentage of salary is set as follows:

| Number of Years of Employment | Employer's Contribution Rate (%) |
|--------------------------------|----------------------------------|
| Less than 5 years | 3 |
| 5 years but less than 10 years | 4 |
| 10 years and over | 5 |

Common Shares and Warrants Held by the Board of Directors and Management

The following details of common shares and warrants held by the Board of Directors and Management include the shares or warrants held by their spouses and children under 20 years old. The percentage of shares held in 2011 and 2012 was based on the total of 1,950,469,236 and 1,961,099,986 common shares respectively.

| | Common Shares | | | |
|---|-------------------------|--------------------|-------------------------|--------------------|
| | As of December 31, 2012 | % of share holding | As of December 31, 2011 | % of share holding |
| Board of Directors | | | | |
| 1. Dr. Suvarn Valaisathien | 20,417,000 | 1.041 | 19,967,000 | 1.024 |
| 2. Dr. Pruchya Piumsomboon | 1,812,500 | 0.092 | 1,837,500 | 0.094 |
| 3. Mr. Threekwan Bunnag Mrs. Atiwan Bunnag (Spouse) | 3,075,000 | 0.157 | 2,700,000 | 0.139 |
| 4. Mr. Virapan Pulges Mrs. Thippawan Pulges (Spouse) | 375,000 | 0.019 | - | - |
| 5. Mr. Pongsak Lothongkam | 125,925,000 | 6.421 | 125,550,000 | 6.437 |

| Management | | | | |
|---|--------------------|--------------|--------------------|--------------|
| 1. Mr. Ruangpoj Phakdurong Mrs.Rattiya Phakdurong (Spouse) | 1,555,000 | 0.079 | 2,655,500 | 0.136 |
| 2. Mrs. Pissamai Saibua | 685,000 | 0.035 | - | - |
| 3. Mr. Carsten Bremerskov Kaysen | - | - | - | - |
| 4. Mr. Manoon Noonate Mrs. Sopha Noonate (Spouse) | 1,000,000 | 0.051 | 1,126,800 | 0.058 |
| 5. Mr. Phichet Kanoksirima | 537,500 | 0.027 | 125,000 | 0.006 |
| 6. Mr. Virat Phugthai | 120,000 | 0.006 | - | - |
| 7. Mr.Raymond Ramiah | - | - | - | - |
| 8. Mr. Wayne Ellis | - | - | - | - |
| Total | 155,502,000 | 7.928 | 153,961,800 | 7.894 |

* Mr. Pongsak Lothongkam owns 99.96% shares of MFG Solution Co. Ltd. which is SVI's Major Shareholder. As of December 30th ,2012, MFG held 934,223,184 shares or 47.6% of total issued shares.

Personnel

As of December 31st, 2012, the Company's total number of employees was 2,494 reported by department as follows:

| Department | Number of Employees |
|-------------------------|---------------------|
| 1. CEO Office | 3 |
| 2. Program Management | 97 |
| 3. Materials Management | 110 |
| 4. Business Development | 6 |
| 5. Manufacturing | 1,452 |
| 6. Engineering | 293 |
| 7. Quality Assurance | 133 |
| 8. Human Resources | 43 |
| 9. Finance & Accounting | 37 |
| 10. MIS | 16 |
| 11. DC Warehouse | 277 |
| 12. Facility | 25 |
| Total | 2,494 |

Number of Employees during the Past Three Years

| Year | Number of Employees | Increase / (Decrease) | % |
|------|---------------------|-----------------------|--------|
| 2010 | 2,400 | 408 | 20.48 |
| 2011 | 2,275 | (125) | (5.21) |
| 2012 | 2,494 | 219 | 9.63 |

2012's Remuneration for Employees

| Type of Remuneration | Monthly Employee | Daily Employee | Total |
|---|---------------------|---------------------|---------------------|
| Salary (Baht) | 284,987,642.62 | 219,430,774.51 | 504,418,417.13 |
| Bonus and others (Baht) | 30,165,431.37 | 22,918,846.00 | 53,084,277.37 |
| Company's Contribution to Provident Fund (Baht) | 5,418,286.00 | 1,429,901.00 | 6,848,187.00 |

Employee Development Policy

The Company realizes the importance of personal development so as to employee at all levels is knowledgeable, high potential, good attitude and good relationship, resulting in long term and sustainable return to the business. The Company support continuous training and the development of employees' skills, including training for the Management. Thus the Training and Development Section has arranged the training plan annually. This is to continually improve employees' knowledge and necessary skills of each responsibility, including the orientation to new employees as to make them understand the company's vision, mission, value, key performance index and basic training needs in order to be ready to perform their duties. The employees' performance is appraised and evaluated regularly. Internal training and external training programs have been conducted as to serve the objective of enhancing the capability, knowledge and working skills of all employees in order to provide good quality, good service and prompt responses as to satisfy our customers' needs, and being brace for any changes in the future.

The Company values employees and treat the employee equally. Continuous training programs have been provided to enhance and develop their knowledge, skills and capabilities. The company also concern in providing safety working environment. The payment packages are properly structured, to include fringe benefits such as provident fund, medical fee and having the Employees' Savings plan through Co-operatives program.

The Company initiated the various training courses. They were designed upon the result of Training Needs Survey by interviewing Directors of every Department in order to get the real needs and the reasons of having those recommended training courses. They are also designed base on the necessary competencies for each position in order to allow them contribute the superior work result towards the company. Our training programs consist of

1) Orientation

It helps individuals become socialized into a corporate culture.

2) Basic training

It helps people meet the basic entry-level requirements for a job of all groups of people including manufacturing operators, technical and non-technical staff as well as support functions.

3) Qualification training

This training helps people become productive, meeting the basic performance expectations of the work based on job description of all functions in the Company.

4) Cross training

Cross-training helps people master new jobs or new job skills.

5) Retraining

It is given to people who aren't performing in line with current work standards or for upgrading to keep skills current as technological or organizational conditions change.

6) Management and leadership training

This is to provide our people in supervisory role both supervisor and management team to gain better knowledge and skills in managing employees to improve performance to meet or exceed the customers expectation.

Internal Control

Convinced that good internal controls lead to the management's confidence that business management and execution will fulfill its goals while producing efficient and effective outcomes, the company recognizes the importance of internal control system and has emphasized on establishing sufficient and appropriate control measures to prevent potential losses which may arise from financial sector and other related operations, risk management and to comply with good corporate governance. To this end, the Audit Committee (consisting of Independent Directors) reviews internal controls for adequacy and suitability, as well as for business effectiveness and efficiency, economical and cost-effective use of resources, procedure streamlining and potential risks or negative effects, accurate and credible financial data and reports, and compliance with policies, laws, rules, and regulations.

Furthermore, the Company implemented up-to-date technology for internal control, Enterprise Resource Planning from SAP, in area of account, finance and inventory management. E-Procurement system is also used for purchasing process such as price bidding from Approved Vendors List of the Company.

SVI realizes the need for a strong internal audit and the Audit Committee set up internal audit department to assert effective internal control. While the external auditor made random inspections, if any shortcomings in the operation are found, the Audit Committee will be reported. For the year 2011, the Audit Committee received no report of significant shortcomings in the internal control process.

All three members of the Audit Committee attended the Board of Director meetings in 2011 which reviewed the Company's internal control systems and had discussion with the management. The Board of Directors is of the opinion that, the Company has an adequate system of internal control in place. Furthermore, the Board also views that the Company had implemented a system of internal controls that is capable of monitoring transactions for control purposes.

Corporate Governance

The Company's Board of Directors fully recognizes the importance of good Corporate Governance and is determined that good governance is widely spread over the entire organization, from the Directors and Management to the Company's employees as it is a key factor in adding value and the highest return to the Company shareholders in the long-term. In 2012, the Board of Directors appointed a Corporate Governance Committee, holding duties and responsibilities for the establishment of good governance practice and follow-up measures to enforce the implementation of the policy and to update the policy to conform with both local and overseas good governance practices, and, going forward, to international standards.

The Company has implemented its Corporate Governance practice in compliance with the principles prescribed by the Stock Exchange of Thailand (SET). The Company also received a very good Corporate Governance score from the IOD in 2011, supported by the SET/SEC, including an excellent performance score in organizing the Annual General Shareholders Meetings in three consecutive years from 2010 to 2012.

Besides adopting the SET guidelines on Corporate Governance principles, the Company has consistently implemented the six Company Core Values of:

- Mutual Support: Support each other, focus on the organization's goals
- Respect: Respect, listen to others and understand differences
- Accountability: Responsible for actions related to personal and organizational goals
- Commitment: Self-determination and work to full capabilities
- Trust: Trust in each other
- Transparency: Manage work with transparency that can be audited

The Company has communicated the Core Values to employees at all levels in the organization through various internal channels to ensure that everyone acknowledges, understands and practices them at all times which leads to efficiency in work, good management and success.

Corporate Governance Practices According to the SET Good Governance Principles

The Company follows the Corporate Governance principles which cover five categories: the Rights of Shareholders, the Equitable Treatment of Shareholders, the Roles of Stakeholders, Disclosure and Transparency, and Responsibilities of the Board of Directors. Details are as follows:

1. Rights of Shareholders

SVI values the rights of shareholders and reinforces the exercise of these rights, including the right to attend the Annual General Meeting of Shareholders (AGM) and to vote. SVI refrains from any action that impedes these opportunities for shareholders. Shareholders have the right to protect their interests by exercising their rights to raise concerned questions, express their opinions, offer recommendations and vote at the AGM. Shareholders have the right to participate in decision-making on any significant corporate changes, such as the election or removal of directors, nomination of independent directors, appointment of a certified public accountant, declaration of dividends, increase or reduction of capital, prescription or amendment of Company Regulations and Articles of Association, and approval of extraordinary transactions, etc.

The Company issues the invitation to the AGM on the Company's website in advance, providing sufficient time for shareholders to propose questions, agendas and names of nominees for the election of directors. Shareholders always receive adequate, accurate, complete, transparent, timely and verifiable information on which to form decisions. The Company prepares a notice of the shareholders meeting, specifying the meeting venue, date, time, agenda and matters to be proposed at the meeting, together with appropriate details. It clearly specifies whether the matter is proposed for acknowledgement or consideration and approval, together with the opinion of the Board of Directors on such matters. An announcement is made on the Company's website prior to the meeting to give shareholders an opportunity to add items to the agenda. Shareholders are notified of any additional agendas, if they should be added. Notice of the AGM is delivered to all shareholders and the registrar not less than 7 and 14 days respectively prior to the meeting, as required by law. To ensure the completeness of information dissemination regarding items to be decided at the meeting, the Notice of the AGM and supporting documents are posted on the Company's website prior to being delivered to shareholders.

In 2012, the Company proceeded as follows:

- 1.1 The Company provided an opportunity to shareholders to raise issues for inclusion in the shareholders' agenda, to nominate a person to be elected a Company director in advance, and between September and December 2011, the Company announced to shareholders through the SET information system and disclosed the criteria and procedure on the Company website (www.svi.co.th)
- 1.2 The Company posted the meeting notice and supporting documents for the meeting agenda on the Company website (www.svi.co.th) on 23 March 2012 (35 days before the meeting date). Shareholders who had any questions could send their queries to the director prior to the meeting date via the Company website.

1.3 The Company held the General Meeting of Shareholders on 27 April 2012. All Board members attended the meeting, which conformed to good Corporate Governance and strictly adhered to the law and regulations. During the meeting, the Chairman offered all shareholders an equal opportunity to ask questions, to give suggestions or comment on the business operation.

1.4 The Company posted the Meeting Minutes, together with a list of all questions and suggestions raised, on the Company website, within 14 days after the meeting date.

2. Equitable Treatment of Shareholders

The Company treats all shareholders in an equitable manner to promote investor confidence. Shareholders have the right to assign proxies to attend the AGM and vote on their behalf. Conditions to assigning proxies are provided in the AGM invitation notice. Adequate time is allocated for the meeting and equal opportunity is provided for shareholders to express their opinions, ask questions and exercise their right to elect individual directors. Shareholders are entitled to vote on every item using the polling card distributed during registration for the meeting. Directors and officers involved in matters on the agenda attend the meeting to answer questions raised by shareholders. The main questions, answers and opinions are recorded in the minutes of the meeting for future review by shareholders. The Company has measures in place to protect the use of inside information, set out in Article 4 on Disclosure and Transparency.

3. Role of Stakeholders

The Company recognizes the rights and roles of different groups of stakeholders by establishing its responsibilities towards stakeholders as part of a code of conduct and disseminating this through various channels, i.e., the Company website and internal communications, so that the concerned personnel acknowledge and strictly comply with the code. In 2012, the Company established the Role of Stakeholders Policy and noted the importance of social activities. The policy is summarized as follows:

3.1 Roles and responsibilities towards different groups of stakeholders

Shareholders

Recognizing the importance of the rights and roles of shareholders, including minority shareholders, the Company is determined to achieve good operating performance, sustainable growth and competitiveness, with due consideration given to future risk factors, in order to maximize shareholder value over the long term. The Company discloses all information in a fair and transparent manner and makes every effort to protect the Company's assets and its reputation. In addition, the Company realizes the importance of shareholder involvement by organizing Company visits for interested shareholders, so that the shareholders have an opportunity to obtain business information directly from the plant Management.

Customers

Customer satisfaction is a key focus of the Company. We will achieve this by delivering high quality products and excellent service to customers at a competitive price using quality people and up-to-date innovation and technology. The contract between the Company and the customer will be written in understandable language. The agreement shall have enough conditions to cover the business relationship and no condition will violate copyrights or break an agreement. The Company has to strictly follow the agreement. In the event of any potential deviation from the agreement, the Company will notify the customer immediately in order to find a proper solution together. The Company is supportive of activities to develop good relationships between the Company and the customer in order to build a long-term partnership.

Creditors and Business partners

The Company realizes the importance of the equal rights of business partners and creditors and it will strictly comply with contracts and agreements it has entered into. The Company will do its utmost for mutual support in order to achieve benefits for both. In addition, useful information will be provided as well as potential business risks. In the Company's Code of Conduct and Ethics, the Company CEO states the guidelines that employees shall follow in dealing with business partners with the acknowledgement and understanding of employees.

The criteria for selecting a business partner are as follows:

- 1) Financial position
- 2) Capability in business operation
- 3) Potential organizational growth
- 4) Innovation and technology development

Competitors

The Company has a strategy to operate within the framework of fair competition. The Company will not search for and acquire the business intelligence of its rivals by means of bribery and will not defame rivals by means of accusation or giving incorrect information.

Employees

The Company actively focuses on and pays attention to human resource management. Employees are the most valuable asset of the Company, and the key factor driving the Company to achieve our business goals and objectives. We do our best to make our employees proud of being a part of the Company, where there is a supportive working environment with fair and friendly treatment.

- The Company treats all employees with respect and dignity, and in accordance with the law and the Company's working rules and regulations.
- The Company assigns jobs to employees fairly.
- The Company focuses on two-way communication between the employee and the Company.
- The Company establishes clear compensation and employee benefits policy and practices.
- The Company focuses on people development activities.
- The Company organizes various recreational activities for employees as a part of a program for a better quality of working life.
- The Company encourages a good relationship between employees and the Company.

Community

To ensure long-term business achievements depends on the organizational administration ability and business ethic consistency according to good governance policy. Social responsibility is one of the SVI areas of concern. The Company has a serious intention to work cordially with relevant people regarding the effect on participants, such as shareholders, employees, customers, vendors, society, government agencies and nationwide, together with the development and promotion of social responsibility, participation in activities beneficial to society and neighboring communities, including caring for the environment.

Social Contribution

Although SVI was suffered from the flooding in late of 2011 which resulted in the severe damage to the Company and caused us had to recover the business as soon as possible. However, with intension of being one of the social to lead Thailand being a sustainable developed society, the Company continually conducted the "Prescription Eyeglasses Project" which has been started since 2010, providing eye examinations and eyeglasses free of charge to those underprivileged children in Supanburi and Samutsakorn in 2012. We are also planning to expand to cover all nationwide.



The Company also donated money, stationary and sport equipment for students at Bannonghin School, Supanburi province. Most of them are poor and lack of necessary stationary for routine studying and also sport equipment for exercise.



Occupational Health, Safety and the Environment

The Company is intensely committed to continual improvement in the area of Occupational Health & Safety and Environmental control, in order to support the Company employee, operation of effective safety to prevent injury & ill health and fulfill our corporate obligation and to contribute to a better life for the community, country and the world as a whole. We will therefore adhere to the following;

1. Comply with all relevant local & national Occupational Health & Safety and Environmental laws, regulations and applicable legal requirements.

2. Utilize the natural resources ,substitute materials by the most efficiency, and provide appropriate resources to fulfill these objectives
3. Set and achieve Occupational Health & Safety and Environmental objectives and targets

We shall also create greater awareness for all employees on Occupational Health & Safety and Environmental responsibility and the protection of our current and future environment.

3.2 Human Rights

The Company recognizes the human rights of people, irrespective of differences. Therefore, we have a clear policy as a general guideline in supporting the rights of people.

- The Company respects all the rights of the employees in any form, not only as stated by law or constitution but also general principles, and will not create any obstruction or prevent the employees achieving their rights.
- The Company will not support its employees to violate the human rights or other general rights of other people.
- The Company will keep the personal information of employees confidential and will not disclose it to others without the permission of the employees.
- All SVI employees will treat others equally and fairly, and will not violate or threaten the rights of other people.

3.3 Policy on Intellectual Property

The Company acknowledges the importance of intellectual property created from an individual's knowledge and ability. The Company, therefore, always makes sure that the information used in the Company will not violate the intellectual property of others.

- The Company does not permit nor encourage its employees to use illegal software for any Company business.
- Employees who use Company computers must strictly follow the rules and conditions of the manufacturer and only with the permission of the Company.
- Employees are not allowed to use any intellectual initiatives created for Company business for personal purposes unless they receive permission from the Company. Employees have to return any intellectual property to the Company as soon as their employment is terminated.
- Employees will ensure that external information used for Company business purposes is legal and does not violate the intellectual property of others.

4. Disclosure and Transparency

SVI discloses information that is material to the Company's business, such as financial reports and other information, in a manner that is clear, concise, easy to understand, complete, adequate and reliable, and it is always submitted on time to the SET. Governance policies and structure are also reported in the Annual Registration Statement (Form 56-1) and Annual Report (Form 56-2) and on the Company's website for the benefit of shareholders and all investors to ensure shareholders have equitable access.

The Board of Directors places an emphasis on, and is responsible for, the financial reporting of the Company and its subsidiaries, including financial information in the Annual Report. The Company's financial statement is prepared according to generally accepted accounting principles, adopting appropriate accounting policy and using a conservative approach, accuracy and completeness, and reflects true operating performance. Furthermore, important information is adequately disclosed in the notes to the financial statement, which is audited by an external, independent auditor who is qualified by the SET to increase the reliability of financial reporting.

In addition, the Board of Directors appoints an Audit Committee to be responsible for overseeing and reviewing the accuracy and reliability of financial reporting, including the adequacy of the internal control system.

The Company requires all employees to perform their duties in the best interest of the Company. Any actions and decisions must be free from the influence of personal benefit of family, relatives or other associated people. Employees must employ the same standard in complying with the rules and procedures of the Company. The measurements have been adopted to deter employees from illegally using inside information for personal, family or associated person benefit and to protect against the disclosure of information, documents or business plans, etc. to outside personnel.

The Company has a policy of prohibiting its directors and management team from disclosing information that has not been released to the general public, or using inside information of any securities for the purpose of trading such securities for personal or others' benefit, either directly or indirectly. The directors, executives and employees involved in accounting information and financial statements not yet disclosed to the public are prohibited from trading the Company's shares for the appropriate time before the release of the financial results to the public.

The Company's directors and executives have to report the buying and selling of the Company's stock in a standard form submitted to the Company; this report has to be submitted by the working day following the day of selling or buying the shares.

In case they submit the report to the SET by themselves, they need to report that transaction to the Company as well. The Company will clarify the facts to shareholders and investors via the SET news system once there is any rumor or information leak to the public.

In addition, the Company has formed an Investor Relations Unit as a focal point in conducting proactive investor relation activities according to the best practices of leading international organizations. A number of channels are available to communicate effectively, transparently, fairly, equally and regularly with minority investors, institutional investors, general investors, analysts, the media, local and overseas fund managers and other related groups. An Opportunity Day and Analyst Meeting are organized to provide information related to the Company's quarterly and yearly operating results for investors, analysts, media, local and offshore fund managers, and others. Our Investor Relations Unit also provides valuable information via various channels, such as analyst meetings, media interviews, press releases, visits to our operations, information access on the Company's Investor Relations website (<http://investorrelations.svi.co.th>), by direct phone line and email (ir@svi.co.th), enabling investors to receive quick access and responses to clarify and answer their questions.

In 2012, the Company organized many Investor Relations activities for analysts and investors, as follows:

| Type of meeting | Number of Events |
|------------------|------------------|
| Press conference | 4 |
| Analyst meeting | 3 |
| Investor meeting | 16 |
| Roadshow | 1 |

Procedure Against Corruption

The Company insists that corruption is illegal and also destroys trust from outside parties. Therefore, we are against all kinds of corruption and, as a result, avoid the negative reputation that accompanies it.

- Employees must not request or accept bribes that may mislead or avoid doing something that may result in negative consequences for the Company.
- Employees must not offer or give any benefits to external parties in order to motivate those people to perform or avoid performing certain actions as it could create negative results to the Company.
- If any corruption is discovered within the Company, SVI will respond immediately with serious disciplinary action and consider any incidents as high priority.

Procedure Concerning Complaint Reporting and the Protection Mechanism

The Company believes that Good Corporate Governance is vital for the achievement of sustainable long-term growth. Therefore, the Company provides a channel for employees, stakeholders and concerned third parties to send their comments or useful suggestions, or to report or submit information concerning wrongdoing, violation of the law, regulation, or Good Corporate Governance principles via email to audit.svi@gmail.com. Furthermore, to ensure that people making such a report receive proper protection, the Company has a policy to receive complaints directly through the Audit Committee. All details are kept confidential, and there is a mechanism in place when investigating the party accused to ensure that there is fair treatment before disciplinary or legal action is taken.

5. Responsibilities of the Board of Directors

5.1 Structure of the Board of Directors

The Board of Directors consists of at least five directors; at least one-third of all directors must be Independent Directors, and the number of Independent Directors shall not be less than three. The remaining directors shall be allocated on a proportional basis according to the investment made by each group of shareholders. All directors are highly qualified and possess none of the characteristics prohibited under the Public Company Limited Act. Directors must not be over 70 years of age, must be knowledgeable, capable and have diversified experience in business management. Furthermore, all directors are devoted and work with full responsibility. The Company has established procedures and criteria for the selection of a director that are clear and transparent, as described in the Organization Management section – Nomination of Directors and Management.

The company has a clear policy regarding the type of director and the number of companies that a director can represent, in accordance with the Security and Exchange Act, and discloses information relating to representation on other companies' Boards of each director in the Company's Annual Report.

The Board of Directors is responsible for setting policies, corporate vision, strategies, goals, mission, business plans and budgets as well as ensuring the Company's Management operates in accordance with the policies, laws, objectives, regulations and shareholder resolutions. Directors discharge their responsibilities accountably, honestly and discretely according to the principles of best practice. In addition, the Board is responsible for monitoring and auditing the Management's administration in regards to transparency and compliance within the Code of Conduct, and overseeing communication and disclosure of appropriate information. The Board of Directors is led by a capable Chairman who is able to control and manage the Company's executives to ensure the effective performance of their duties, adding greater economic value to the business and providing the highest security for shareholders.

The Chairman of the Board of Directors is a different person than the Chief Executive Officer. The Chairman has to be independent, not be a major shareholder representative or hold any position in the Company, either as an executive or a permanent employee, and there must be no conflict of interest, either direct or indirect, especially in financial and management functions.

As of December 31st, 2012, the Company's Board of Directors consisted of five directors, as follows:

- One director who is also Management.
- Four directors who are not Management.

The names of the Directors, and the roles and responsibilities of the Board of Directors and the Chief Executive Officer, are reported in the Organizational Management section.

5.2 Subcommittees

Prior to 2012, the Board of Directors established two subcommittees to assist in reviewing any necessary subject for effective decision-making by the Board of Directors. In 2012, the Board appointed two new subcommittees: the Corporate Governance Committee and the Risk Management Committee.

As at December 31, 2012, there were four subcommittees:

- *Audit Committee* consists of three members who are all independent directors and qualified as specified in the announcement of the SET, including the scope of work set out by the Audit Committee. The committee has been assigned to perform the audit to ensure that the systems in place provide a checks and balance system that will promote reliability, integrity and serve the best interests of all stakeholders. The names of members and the role and responsibilities of the Audit Committee are given in the Organizational Management section.
- *Nomination and Compensation Committee* consists of four members, three of whom are independent directors. The names of the members and the role and responsibilities of the committee are given in the Organizational Management section.
- *Corporate Governance Committee* consists of five members of Executive Management and has an independent director as an advisor.
- *Risk Management Committee* consists of five members of Executive Management and has an independent director as an advisor.

5.3 Roles and Responsibilities of the Board of Directors and Chief Executive Officer

The Company has a clear separation of roles and responsibilities between Company Directors and the Chief Executive Officer, in which the Director's role is to monitor Management's performance in achieving targets and ensuring that there are systems in place to enhance the legal and ethical integrity of business operations. All Directors understand the responsibility of the Board of Directors and the business operation of the Company. They perform their duties with honesty and in good faith, using due care and diligence with regards to the highest benefits of the Company and the fair treatment of all shareholders. They have to express their opinion independently and are completely dedicated to their duties. The role and responsibilities of the Board of Directors are stated in the Organizational Management section.

5.4 Leadership and Vision

The Board of Directors provides leadership, vision and independent decision-making. It is responsible for the Corporate Governance to optimize the benefits of the Company and shareholders. The Board approves the Company's vision, mission, business plan and annual operating budget, and monitors to ensure the business plan is followed in accordance with the approved budget, to maximize the economic value added to the business and considering the benefits of all stakeholders.

5.5 The Board of Directors Performance

The Board is determined to lead the business successfully and create the greatest benefit for shareholders according to the Company's vision and mission, while considering business ethics, future risks and good governance, using independent judgment and disclosing important information to shareholders and investors correctly, completely, fairly and timely.

In 2012, the Board undertook the following important activities:

5.5.1 Establish Policy and Business Direction

The Board joined with Management in establishing the Company's vision, mission, goals and business direction, and monitored Management performance accordingly.

Vision

A globally recognized organization that strives for growth, profitability, integrity and social responsibility.

Mission

SVI is committed to be a leading global provider of full turnkey box-build contract manufacturing services to the industrial and professional electronic sectors. This will be achieved by focusing on the target sectors and building strong long-term partnerships with chosen strategic customers and suppliers.

We are driven to exceed our strategic customer expectations in terms of quality and service.

Goal

We are determined to be a leading global provider delivering a full turnkey product in the electronics industry. In addition to achieving the Company's goal, we create long-term relationships with customers, using appropriate strategies. Our organization will continue to grow, based on customers' expectation of quality and service.

Corporate Governance policy

The Board fully intends to encourage the Company to be an organization that is most efficient in doing business and providing good governance and management, and aiming to create benefits for shareholders and all stakeholders by being honest, transparent and complying with the business Code of Conduct. The purpose of establishing the Good Corporate Governance Policy is so that the Board of Directors, executives and all employees are able to hold it as a guideline for practice.

The Company has complied with the SET Good Corporate Governance principles. The Company has confidence that a Good Corporate Governance system, which consists of qualified and accountable Directors and Management, transparent operations, respect for the rights of others and the equitable treatment of all stakeholders, is the key factor in increasing sustainable growth.

Risk Management Policy

The Company has a cautious risk policy to manage all risks that have an effect on operations. The risk can be an internal or external, and may be changed by the economic situation as well as social and political matters. The risk management policy covers the preventive measure as well as management of the risk. The Risk Management Committee is responsible for overseeing and monitoring the operation as planned. The Company has established a

strategy to respond to risk at each level: avoidance, reduction, transfer or acceptance of the risk. To ensure that the Company has considered and selected the most worthwhile and efficient approach to managing the risk, the risk factor that has the highest effect to the shareholders' value is chosen as the first priority.

Business Ethics

The Board has reviewed and updated the Business Ethics Policy appropriate to the changing environment, including establishing clear guidelines and practice, ensuring compliance and assessing observations, which is determined in accordance to the Code of Conduct. This serves as a guideline of good practice for Directors, Management and all levels of employees, who all need to comply strictly with the code and practice honesty and good ethics.

5.5.2 Subcommittee

The Board of Directors approved the appointment of the Corporate Governance Committee in 2012, to be responsible for developing and reviewing the principles and best practices of effective Corporate Governance, including business ethics. In addition, the committee is responsible for disseminating and communicating the business ethics of the Company and the Corporate Governance Policy via internal channels within the organization including disclosure of the Corporate Governance Policy on the Company website.

The Company encourages compliance with the Corporate Governance Policy, which conforms to the SET guidelines and the five OECD principles. Furthermore, the Company is determined to continue the development of Corporate Governance and social responsibility work, which is in line with sustainable development guidelines.

In 2012, the Board approved the appointment of the Risk Management Committee, chaired by a member of Executive Management with an independent director as an advisor. The committee is responsible for assessment of the risk evaluations from all departments and the formulation of risk management policies.

5.6 The Board of Directors Meetings

The meetings of the Board of Directors are planned and notified in advance so that the Directors can arrange their schedules to attend. The Chairman of the Board approves matters to be included in the agenda and considers any major subject proposed by the Directors for incorporation into the agenda. The supporting documents for the meeting have to be distributed to each Director before the meeting to provide sufficient time for them to study and consider the case to ensure proper decision-making.

Board meetings are held regularly at least once a quarter. The secretary of the Board of Directors will set tentative schedules and agendas of the regular meetings for one year in advance. This is to provide sufficient time for the Directors to attend all the meetings. For each meeting, Management prepares information and supporting documents for the Board's consideration. The Chairman of the meeting also gives sufficient time for all Directors to consider each item on the agenda thoroughly and provides comments thereon. The minutes of the meeting are taken in written form and a certified copy is kept for auditing by the concerned parties.

The Audit Committee has a regular meeting at least once a quarter with the Internal Audit Manager to monitor and plan the internal audit items. This is to consider the appropriate Corporate Governance and internal audit plan.

The Audit Committee conducts a meeting at least once a quarter for consideration, selection and nomination of an external auditor and their remuneration, including the opinions for the interim and annual financial statements duly reviewed or audited by the auditor, review of compliance with the accounting standards, disclosure of the notes, and connected and related party transactions as stated in the financial statement before submitting for the Board's consideration and approval.

The table below shows the meeting attendance of the Board of Directors in 2012:

| Name | 2012 Shareholder Meeting | Board of Directors Meeting | Subcommittee Meeting | |
|----------------------------|--------------------------|----------------------------|----------------------|---------------------------------------|
| | | | Audit Committee | Nomination and Compensation Committee |
| 1. Dr. Suvarn Valaisathien | 1/1 | 4/4 | 4/4 | 1/1 |
| 2. Dr. Pruchya Piumsomboon | 1/1 | 4/4 | 4/4 | 1/1 |
| 3. Mr. Threekwan Bunnag | 1/1 | 4/4 | 4/4 | 1/1 |
| 4. Mr. Virapan Pulges | 1/1 | 4/4 | - | - |
| 5. Mr. Pongsak Lothongkam | 1/1 | 4/4 | - | 1/1 |

5.7 Performance Evaluation

The Board has established a self-assessment for the overall performance of the Board of Directors. It serves as a tool to reflect the operational efficiency of the Board in accordance with Good Corporate Governance principles and to facilitate a regular review of the performance of the Board. The process aims to set a standard of practice for the Board of Directors performance assessment, which is conducted on an annual basis and led by the Chairman of the Board. The Board of Directors performance and accomplishments are reported in the Annual Report.

In 2012, a self-assessment was conducted for the overall performance of the Board, based on a preliminary format set by the SET, covering the following topics:

- Structure and characteristics of the Board
- Roles and responsibilities of the Board
- Board meetings
- Discharge of duties of the Board
- Relationship with the Company's Management
- Self-development of Directors and executive development

The overall result for all topics was 92.13%. From the result of the self-assessment, the Board concluded that the Board was operating effectively.

In addition, the Chief Executive Officer underwent an assessment by the Board in 2012.

5.8 Remuneration

The Company has a policy to compensate Directors, the Chief Executive Officer and Management at appropriate levels when compared to other companies in the same business. This is to motivate and retain capable personnel. Remuneration is related to the Company's performance. The Nomination and Compensation Committee sets the remuneration policy and payment procedure and proposes the remuneration package to the Board of Directors for consideration which proposes to the shareholders meeting for approval. The details of remuneration payments to Directors and executives in 2011 are reported in the Organizational Management section.

5.9 Professional Development for Directors and Management

The Board of Directors has supported and facilitated attendance on various training programs and seminars as necessary to ensure the continuing education of those associated with the Corporate Governance system, such as Directors, Audit Committee members, Executives and the Company Secretary. This enables the Directors to operate and govern the Company operations more effectively. In addition, in the case of a new Director, the Company organizes an orientation program and provides training, information and documents beneficial to performing the new duties. The program for a new Director includes sessions to introduce the nature of the business, the business structure, operating policy, the Company's rules and regulations, and Corporate Governance guidelines and practice, as well as a plant tour.

5.10 Company Secretary

The Company has a policy to appoint a Secretary to the Board and a Company Secretary, in compliance with the Security and Exchange Act and good Corporate Governance. The roles and responsibilities of the Company Secretary are described in the Organizational Management section.

5.11 Succession plan

The Company has developed a succession plan for key positions within each group. The plan covers the Chief Executive officer, Executive Director and the Director or senior Management so that the Company has Management that is knowledgeable in the business operations and capable to carry out the tasks smoothly and efficiently. Furthermore, the Company identifies high potential staff and sets training needs in order to develop these young talents to become Middle Management in the future. This ensures that there will be no personnel shortage and maintains the confidence of shareholders and stakeholders, including employees.

The Board has authorized the Nomination Committee to set up succession planning criteria and the succession plan for high-level Management is reviewed annually.

5.12 Prevention of Conflicts of Interest

In order to eliminate conflicts of interest, the Company has a policy to prevent Directors, Management or employees from using internal information for personal benefit. The Board is kept informed of transactions that may pose a conflict of interest and reviews the suitability of each instance with caution. The Company further complies with the guidelines of the SET and discloses the related transactions in the Company's Annual Report. The Board also oversees the use of internal information, by having Directors and Management report their shareholding information to the SEC, and is determined that business ethics protect the Directors and Management against the use of insider information for personal gain.

5.13 Risk Management

The Company has a policy for risk management in order to establish a risk management process that covers risk identification, assessment, monitoring and reporting. The Risk Management Committee has summarized all the risk factors and has prepared a risk management plan for the Board. According to the risk management system, individual departments prioritize the risk by assessment of the probability of an occurrence and expected impact. The level of the risk is categorized as high, medium or low. Following the assessment, risk management is prepared accordingly. Risk assessment and the risk management plan are regularly reviewed.

Audit Committee's Report

The Audit Committee of SVI Public Company Limited consists of three independent directors: Mr. Threekwan Bunnag as Chairman of the Audit Committee, Dr.Suvarn Valaisathien and Dr. Pruchya Piumsomboon. All members possess adequate qualifications for their posts as specified by the Audit Committee Charter and in accordance with the Stock Exchange of Thailand regulations (SET) and Best Practice guidelines.

The Committee performed its duties and responsibilities independently, as assigned by the Board of Directors, supervising and overseeing the Company's state of affairs, ensuring that the Company's business operations are carried out without any conflict of interest and with adequacy of internal control systems and that Management execute their duties with honesty, responsibility, and in accordance with Company policies.

During 2012, the Audit Committee had taken responsibilities as entrusted by the Board of Directors held four meetings. Mr. Threekwan Bunnag, Dr. Suvarn Valaisathien and Dr. Pruchya Piumsomboon attended all the meetings with top management, internal auditor and external auditor as appropriate. Important activities during the year were as follows:

1. The Audit Committee reviewed the Company's quarterly and annual financial statements of 2012, which had already been reviewed and audited by the external auditor, and submitted them to the Board of Directors for approval. The Committee invited top management and the external auditor to the meetings to review the accuracy and completeness of the financial statements, adjustments made to accounting entries that significantly affect them, and the adequacy of financial disclosure. The Audit Committee also reviewed the readiness of the Company for preparing financial statements in accordance with the International Financial Reporting Standards: IFRS. The Committee concluded that the internal control systems of the financial reporting process were adequate to ensure that the financial statements accurately depicted the Company's financial status and operating results in all material respects. Furthermore, the Committee determined that the financial statements were in accordance with all legally defined accounting principles and were adequately and promptly disclosed for the benefit of shareholders, investors, and users of such statements for the purposes of making informed investment decisions. In addition, the Company is ready to comply with the IFRS.
2. The Audit Committee reviewed connected transactions, or transactions that may lead to conflicts of interest with the wholly including information disclosure of such transactions to comply with regulations of the SET and the Office of the Securities and Exchange Commission (SEC). The external auditors had the opinion that significant transactions with connected persons were disclosed and shown in the Financial Statements and Notes to Financial Statements. The Audit Committee had the same opinion as that of the external auditors and approved that such transactions were reasonable and beneficial to the business of the Company.
3. The Audit Committee, in conjunction with the Company's Internal Legal Counsel and Compliance Department, reviewed the adherence to the Securities and Exchange Act, and to the respective regulations of The SEC, The SET, The Capital Market Supervisory Board and other relevant laws. The Audit Committee did not find any significant non-compliance with the law and regulations.
4. The Audit Committee reviewed the operation information and internal control system, evaluated the sufficiency, appropriateness and effectiveness of the internal control system covering important workflows of the Company. The Committees found no significant weakness or deficiency in asset safeguarding method with accurate, complete and reliable information disclosure. The external auditors and Audit Committee had the opinion that the Company had sufficient internal control system and the means to monitor the operations was adequate, appropriate and efficient, in compliance with the Company's requirements.
5. The Audit Committee was responsible for overseeing the Internal Audit Department, considered and set the 2012 goals to evaluate the performance of Company's internal auditor as well as approved the internal auditing plan which is set to be reviewed at least every six months. In 2012 the internal auditor had performed both operational and financial audits including production, Cycle count inventory, Inventory management system control, Fixed Assets Managements system controls, Production process and raw material usage controls. The Audit Committee had the opinion that the Company's internal audit was adequate, appropriate and effective.

6. The Audit Committee took into consideration the nomination and appointment of the external auditor and the annual audit fee for year 2013 to be proposed to the Board of Directors for approval by the Annual Shareholder's Meeting for 2013. The Audit Committee considered the performance, independence and remuneration and recommended to appoint Mr. Sophon Permsirivallop, Certified Public Accountant Registration number 3182, or Ms. Runnapa Lertsuwankul, Certified Public Accountant Registration number 3516, or Ms. Pimjai Manitkajohnkit, Certified Public Accountant Registration number 4521 of the Ernst & Young Office Limited to serve as the Company's External Auditors for 2012. Anyone of the abovementioned auditors could audit the Financial Statements of the Company and render opinion thereon. In case these auditors could not perform their tasks, the Ernst & Young Office Limited shall provide the Company with other qualified certified public accountants. The Audit Committee found that the external auditors professionally performed their duties with knowledge, professional competency, and gave recommendation regarding internal control system and various risks, and maintained independence in performing their duties.

In 2012, the Audit Committee suggested to the Board of Director to appoint the Corporate Governance Committee and Risk Management Committee in support of company's good corporate governance and risk management effectiveness.

The Audit Committee performed its duties and responsibilities with knowledge, ability, carefulness and has sufficient independence. The Committee had full access to all pertinent information from Management, employees, and associated parties. Furthermore, the Committee gave comments and recommendations which are beneficial to all of the Company's stakeholders equally.

In summary, the Audit Committee determined that the Board of Directors, Management, and Executive Directors all performed ethically with the intent to conduct their job functions professionally in pursuit of the Company's performance goals. Furthermore, it concluded that the Company is fully committed to and sees effective Corporate Good Governance as vital to its business and has established concise and appropriate risk management and internal control systems.

On behalf of the Audit Committee

(Mr. Threekwan Bunnag)

Chairman of the Audit Committee

The Board of Directors' Responsibility Report to Financial Statements

The Board of Directors takes accountability for the disclosure of consolidated financial statements of SVI Public Company Limited, and its subsidiaries, including all financial information disclosed in this annual report. The aforementioned financial statements have been prepared in accordance with generally accepted accounting standards, appropriate accounting policies and is consistently practiced. All materialized information has been sufficiently disclosed in the notes of financial statements as well as unconditionally audited by independent auditors. Thus, the information accurately reflects the actual financial performance of the Company as well as being transparent, reasonable and useful for shareholders and investors.

The Board of Directors reinforces the practice of good corporate governance of the Company having efficient management and appropriate internal control systems, including the confidence that accurate and adequate accounting data is being correctly recorded to secure the company's assets and prevent any fraud or material irregularity.

In this regard, the Board of Directors appointed an Audit Committee to be responsible for the validity and reliability of financial reports and internal control systems, in which within this report, the opinion of the Audit Committee is represented in the report of the Audit Committee.

In the view of The Board of Directors, the 2012 consolidated financial statements of SVI and its subsidiaries as reviewed by the Audit Committee, in collaboration with the Management and external auditor are presented in a complete, accurate and fair manner. Since the Company's overall internal control system has been found to be satisfactory, thus the Board of Directors feel confident that the Company and its subsidiaries' financial systems are well managed and controlled.

The Board of Directors

Related Transactions

The Company had related transactions with subsidiaries in which the Company was holding 100% of the shares of each. Those transactions were conducted under normal business. The company has disclosed all related transactions as of year ended 31 December 2012 in Note 6 of the Financial Statements. The Board of Directors and the Audit Committee had reviewed such related transactions and found that they were reasonable and justified.

Policy or Procedures for the Approval of Inter-Company Transactions

In case the company has to make any related transactions with any person who has a conflict of interest with the Company, that transaction has to be approved by the Board of Directors and consented by the Audit Committee. These transactions must comply with the Stock Exchange of Thailand's rule and regulations related to connected transactions and the acquisition or disposal of assets. Any member of the Board of Directors who has an interest in any related transaction shall declare to the Audit Committee and the Board, and refrain from rendering any opinion or vote.

In this regard, to approve the connected transactions, the Company must comply with the procedure and process, considering the Company's optimal benefits, and treat that connected transactions on the same basis as an outsider's transaction.

Policies or Directions for Future Connected Transactions

In case the company has to perform any related or connected transactions, the company must strictly comply with the approval process as mentioned above. If there are any connected transactions that need to be considered and approved by the Audit Committee, as required by Stock Exchange of Thailand's regulations, the Company will propose to it the Audit Committee to independently examine and consider if it is needed and appropriate. Where the Audit Committee has no expertise in the mentioned connected transactions, the Company will appoint an independent expert or its external auditor to assist the Audit Committee in that process to obtain the most effective comments or information so that the Board of Directors, the Audit Committee, or the Shareholders can use it to support their decisions in each case. In addition, the Company will disclose of the transaction as a note in the Company's financial statements.

Financial Analysis and Operating Results

Operating Result

SVI recorded revenue of USD 248 Million or Baht 7,704 Million, signaling a strong recovery from flood damages at the end of 2011. The manufacturing capacity is now operating at nearly the same level of pre-flooded capacity. Demands were driven by back order fulfillment. Several key projects and new key customers have been launched in 2012 that generating the growth in 2013.

As compared to 2010's revenue which was reported at Baht 8,079 Million, the revenue in 2012 was reduced by Baht 375 Million, mainly caused by the recovery from the flood gradually started this year.

Total year Consolidated Gross Profit was Baht 720 Million or 9.3% of revenue, decreased from 2011 and 2010 by Baht 363 Million and Baht 169 Million respectively. It was mainly caused by the limitation of capacity at the first half of the year, related to the new machine gradually installed, replacing machine that damaged by flood, couple with the fluctuation of Baht/USD currency, including the increase of minimum wages and higher depreciation costs generated by new purchased machine and equipment.

Selling and Administrative expenses of the company and consolidated expenses in 2012 were Baht 254 Million and Baht 311 Million or 3.4% and 4% of revenue respectively. In comparison to 2011 and 2010, the company's expenses were higher Baht 8 Million and Baht 27 Million respectively. It was mainly related to the reserve of impairment of investment in subsidiary and the consultant fee related to the claim of flood damages to insurance companies.

The Company and consolidated Net Profit 2012 were reported at Baht 1,198 Million and Baht 1,246 Million respectively, or 16% of revenue. The consolidated net profit excluding interim insurance payment of Baht 730 Million was Baht 516 Million or 7% of revenue. In comparison to year 2011 and 2010, which reported net losses of Baht 1,275 Million and net profit of Baht 735 Million respectively, the net profit in 2012 was mainly generated by the demand and capacity recovered from the flood, however, the average capacity in 2012 was less than capacity in 2010.

Financial Status

Assets

The Company and consolidated financial status as of 31 December 2012 showed total assets of Baht 4,832 Million and Baht 4,932 Million respectively. This represents an increase of Baht 864 Million and Baht 978 Million as compare to 31st December 2011. The increase of the Company total assets was mainly resulting from the increase of trade receivable (Baht 868 Million) related to higher revenue as compared with that at the end of last year.

As compared to the fiscal year 2010, The Company and consolidated financial status as of 31 December 2012 showed a reduction of Baht 784 Million and Baht 681 Million respectively, it was mainly resulting from the decrease of Cash by Baht 445 Million, less trade receivable by Baht 277 Million, related to less revenue as compared with that at the end of FY2010.

Financial Liquidity

In 2012, the Company and Consolidated Financial Statement reported positive Cash generated from operation of Baht 212 Million and Baht 163 Million, decreased from year 2011 by Baht 785 Million and Baht 873 Million respective. This was caused by the increase of trade receivable which was paid at agreed due date whereby the payment of trade receivable at the end of 2011 being paid before the due date as to support the company suffered from the flood. The increase of inventory in 2012 was resulted by the purchase of materials replacing flood damaged materials.

In 2010, the Company and Consolidated Financial Statement reported positive Cash Flow generated from operation of Baht 333 Million and Baht 340 Million respectively. Cash Flow generated from operation in 2012 was less than Cash Flow generated from operation in FY 2010, mainly due to more purchase of materials.

Liabilities

Total liabilities for the Company and Consolidated Financial Statement were recorded at Baht 2,275 Million and Baht 2,415 Million respectively. The consolidated total liabilities were decreased by Baht 289 Million from 31st December 2011. This was primarily due to the decrease of trade payable of Baht 263 Million and Short-term and Long-term Loan in the net amount of Baht 90 Million. The new loan drawn down in 2012 was Baht 916 Million. The total payment of loan in 2012 was Baht 1,005, partially paid for new loan and the outstanding loan carried forward from previous year.

In 2010, total liabilities for the Company and Consolidated Financial Statement were recorded at Baht 2,711 Million and Baht 2,767 Million respectively. The consolidated liabilities in 2012 was reduced from FY2010 by Baht 352 Million, resulted by a decrease of trade payable of baht 164 Million and short term and long term loan reduced by Baht 220 Million.

Shareholders' Equity

The Company and Consolidated Shareholder's equity at the end of 2012 was Baht 2,557 Million and Baht 2,517 Million. Compared to the end of last year, the Company and Consolidated Shareholder's equity increased by Baht 1,220 Million and Baht 1,267 Million respectively. The increase of consolidated Shareholder's equity was due to an increase in retained earnings derived from net profit of Baht 1,246 Million and the conversion of ESOP-5 of Baht 21 Million.

In 2010, the Company and Consolidated Shareholder's equity was Baht 2,905 Million and Baht 2,846 Million, the Company and Consolidated Shareholder's equity in 2012 was less than 2010 by Baht 348 Million and Baht 329 Million respectively. It was mainly related to the provision of flood damages in the amount of Baht 1,974 Million recorded in 2011, in which the amount of Baht 730 Million received for compensation of damages from insurance companies in 2012. The Company has to follow up in 2013 for the balance of compensation of damages that have not paid yet.

Independent Auditor's Report

To the Shareholders of SVI Public Company Limited

I have audited the accompanying consolidated financial statements of SVI Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of SVI Public Company Limited for the same period.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SVI Public Company Limited and its subsidiaries and of SVI Public Company Limited as at 31 December 2012, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Other matter

The financial statements of SVI Public Company Limited and its subsidiaries for the year ended 31 December 2011 were audited by another auditor of our office who expressed an unqualified opinion on those financial statements and drew attention to the adoption of a number of revised and new accounting standards as issued by the Federation of Accounting Professions, the Company's estimation of asset losses, and recognition of losses due to the severe flooding, under her report dated 24 February 2012.

Sophon Permsirivallop
Certified Public Accountant (Thailand) No. 3182

Ernst & Young Office Limited
Bangkok: 21 February 2013

SVI Public Company Limited and its subsidiaries
Statement of financial position
As at 31 December 2012

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|-------|-----------------------------------|---------------|-------------------------------|---------------|
| | | 2012 | 2011 | 2012 | 2011 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 8 | 567,279,924 | 374,390,488 | 528,610,109 | 315,074,112 |
| Current investments | 9 | 210,000,000 | 795,107,531 | 210,000,000 | 795,107,531 |
| Trade accounts receivable | 6, 10 | 1,511,245,307 | 587,456,981 | 1,442,172,545 | 574,236,900 |
| Inventories | 11 | 1,216,278,776 | 1,117,271,423 | 1,132,487,702 | 1,051,464,328 |
| Advance payment for purchase of materials | | | | | |
| and equipment | | 2,055,257 | 13,165,305 | 2,055,257 | 13,165,305 |
| Other current assets | | 28,259,580 | 27,768,438 | 21,009,810 | 17,645,010 |
| Total current assets | | 3,535,118,844 | 2,915,160,166 | 3,336,335,423 | 2,766,693,186 |
| Non-current assets | | | | | |
| Other account receivable - subsidiaries | 6 | - | - | 57,196,225 | 96,516,920 |
| Long-term loan to subsidiary and interest receivable | 6 | - | - | - | 36,508,366 |
| Investments in subsidiaries | 12 | - | - | 3,269,050 | 3,269,050 |
| Property, plant and equipment | 13 | 1,386,552,596 | 1,022,554,283 | 1,426,332,882 | 1,049,977,769 |
| Intangible assets | 14 | 7,948,088 | 10,372,517 | 7,948,088 | 10,372,517 |
| Other non-current assets | | 1,917,742 | 5,974,622 | 445,169 | 4,506,371 |
| Total non-current assets | | 1,396,418,426 | 1,038,901,422 | 1,495,191,414 | 1,201,150,993 |
| Total assets | | 4,931,537,270 | 3,954,061,588 | 4,831,526,837 | 3,967,844,179 |

The accompanying notes are an integral part of the financial statements.

SVI Public Company Limited and its subsidiaries
Statement of financial position (continued)
As at 31 December 2012

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|-------|-----------------------------------|---------------|-------------------------------|---------------|
| | | 2012 | 2011 | 2012 | 2011 |
| Liabilities and shareholders' equity | | | | | |
| Current liabilities | | | | | |
| Short-term loan from financial institution | 15 | 95,005,755 | 7,549,200 | - | - |
| Trade and other payables | 6, 16 | 1,617,843,726 | 1,881,010,377 | 1,577,275,584 | 1,837,609,696 |
| Current portion of long-term loans from banks | 17 | 449,043,694 | 273,754,340 | 449,043,694 | 273,754,340 |
| Current portion of liabilities under financial lease | 18 | 953,504 | 2,417,246 | 953,504 | 2,417,246 |
| Income tax payable | | 1,809,349 | 2,772,756 | 1,809,349 | 2,772,756 |
| Advance payment for purchase materials | | | | | |
| and equipment for production | | 64,257,756 | 65,050,995 | 64,257,756 | 65,050,995 |
| Other current liabilities | | 26,567,449 | 92,068,553 | 22,240,886 | 69,921,750 |
| Total current liabilities | | 2,255,481,233 | 2,324,623,467 | 2,115,580,773 | 2,251,526,783 |
| Non-current liabilities | | | | | |
| Long-term loans from banks - net of current portion | 17 | 102,489,106 | 343,784,520 | 102,489,106 | 343,784,520 |
| Liabilities under financial lease | | | | | |
| - net of current portion | 18 | 2,496,499 | 1,727,863 | 2,496,499 | 1,727,863 |
| Provision for long-term employee benefits | 19 | 54,205,753 | 33,499,958 | 54,205,753 | 33,499,958 |
| Total non-current liabilities | | 159,191,358 | 379,012,341 | 159,191,358 | 379,012,341 |
| Total liabilities | | 2,414,672,591 | 2,703,635,808 | 2,274,772,131 | 2,630,539,124 |

The accompanying notes are an integral part of the financial statements.

SVI Public Company Limited and its subsidiaries
Statement of financial position (continued)
As at 31 December 2012

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|------|-----------------------------------|---------------|-------------------------------|---------------|
| | | 2012 | 2011 | 2012 | 2011 |
| Shareholders' equity | | | | | |
| Share capital | 20 | | | | |
| Registered | | | | | |
| 1,985,178,736 ordinary shares of Baht 1 each | | 1,985,178,736 | 1,985,178,736 | 1,985,178,736 | 1,985,178,736 |
| Issued and paid-up share capital | | | | | |
| 1,961,099,986 ordinary shares of Baht 1 each | | | | | |
| (2011: 1,950,469,236 ordinary shares of Baht 1 each) | | 1,961,099,986 | 1,950,469,236 | 1,961,099,986 | 1,950,469,236 |
| Premium on ordinary shares | | 26,400,527 | 15,769,777 | 26,400,527 | 15,769,777 |
| Treasury stocks | 22 | (113,520,282) | (113,520,282) | (113,520,282) | (113,520,282) |
| Retained earnings (deficit) | | | | | |
| Appropriated | | | | | |
| Statutory reserve | 23 | 223,123,344 | 203,514,770 | 223,123,344 | 203,514,770 |
| Reserve for treasury stocks | 22 | 113,520,282 | 113,520,282 | 113,520,282 | 113,520,282 |
| Unappropriated | | 327,325,987 | (899,536,740) | 346,130,849 | (832,556,258) |
| Other components of shareholders' equity | | (21,085,165) | (19,791,263) | - | 107,530 |
| Total shareholders' equity | | 2,516,864,679 | 1,250,425,780 | 2,556,754,706 | 1,337,305,055 |
| Total liabilities and shareholders' equity | | 4,931,537,270 | 3,954,061,588 | 4,831,526,837 | 3,967,844,179 |

The accompanying notes are an integral part of the financial statements.

Directors

SVI Public Company Limited and its subsidiaries

Income statement

For the year ended 31 December 2012

(Unit: Baht)

| | | Consolidated financial statements | | Separate financial statements | |
|---|------|-----------------------------------|-----------------|-------------------------------|-----------------|
| | Note | 2012 | 2011 | 2012 | 2011 |
| Revenues | | | | | |
| Sales | 6 | 7,704,376,287 | 8,445,295,353 | 7,392,489,792 | 8,361,658,819 |
| Gains on exchange | | 134,590,367 | 10,973,119 | 130,654,149 | 7,108,231 |
| Claim refund from the severe flooding | 7 | 729,800,000 | - | 729,800,000 | - |
| Other income | 6 | 50,631,313 | 49,610,070 | 48,505,207 | 62,620,842 |
| Total revenues | | 8,619,397,967 | 8,505,878,542 | 8,301,449,148 | 8,431,387,892 |
| Expenses | | | | | |
| Cost of sales | 6 | 6,984,501,026 | 7,362,661,380 | 6,736,083,689 | 7,330,956,558 |
| Selling expenses | | 118,881,886 | 117,104,195 | 116,247,438 | 115,062,633 |
| Administrative expenses | | 192,293,521 | 187,218,322 | 137,573,851 | 131,279,655 |
| Allowance for doubtful accounts | | 3,864,768 | 105,914,301 | 44,627,041 | 121,638,535 |
| Loss from flooding | 7 | 33,835,693 | 1,974,464,949 | 33,835,693 | 1,974,464,949 |
| Total expenses | | 7,333,376,894 | 9,747,363,147 | 7,068,367,712 | 9,673,402,330 |
| Profit (loss) before finance cost and | | | | | |
| income tax expenses | | 1,286,021,073 | (1,241,484,605) | 1,233,081,436 | (1,242,014,438) |
| Finance cost | | (37,740,423) | (22,766,161) | (32,976,406) | (21,451,717) |
| Profit (loss) before income tax expenses | | 1,248,280,650 | (1,264,250,766) | 1,200,105,030 | (1,263,466,155) |
| Income tax expenses | | (1,809,349) | (10,673,588) | (1,809,349) | (10,673,588) |
| Profit (loss) for the year | | 1,246,471,301 | (1,274,924,354) | 1,198,295,681 | (1,274,139,743) |
| Earnings per share | | | | | |
| 26 | | | | | |
| Basic earnings per share | | | | | |
| Profit (loss) attributable to equity holders of the Company | | 0.65 | (0.66) | 0.62 | (0.66) |
| Diluted earnings per share | | | | | |
| Profit (loss) attributable to equity holders of the Company | | 0.64 | (0.66) | 0.62 | (0.66) |

The accompanying notes are an integral part of the financial statements.

SVI Public Company Limited and its subsidiaries
Statement of comprehensive income
For the year ended 31 December 2012

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|-----------------|-------------------------------|-----------------|
| | 2012 | 2011 | 2012 | 2011 |
| Profit (loss) for the year | 1,246,471,301 | (1,274,924,354) | 1,198,295,681 | (1,274,139,743) |
| Other comprehensive income: | | | | |
| Exchange differences on translation of | | | | |
| financial statements in foreign currency | (21,085,165) | (26,928,192) | - | - |
| Gain (loss) on change in value of available-for-sale investments | (107,530) | 75,257 | (107,530) | 75,257 |
| Other comprehensive income for the year | (21,192,695) | (26,852,935) | (107,530) | 75,257 |
| Total comprehensive income for the year | 1,225,278,606 | (1,301,777,289) | 1,198,188,151 | (1,274,064,486) |

The accompanying notes are an integral part of the financial statements.

(Unit: Baht)

Consolidated financial statements

| | Other components of equity | | | | | | | | | | |
|--|-----------------------------|-------------------|-----------------------------|--|---|------------------------------------|--------------|-----------|----------------------------|-----------------|--|
| | Other comprehensive income | | | | | | | | | | |
| | Exchange | | | | | | | | | | |
| | Retained earnings (deficit) | | | Surplus | | | Total other | | Total shareholders' equity | | |
| | Appropriated | Statutory reserve | Reserve for treasury stocks | differences on translation of financial statements in foreign currency | on changes in value of available-for-sale investments | components of shareholders' equity | | | | | |
| Issued and fully paid-up share capital | Premium on ordinary shares | Treasury stocks | | | | | | | | | |
| Balance as at 31 December 2010 | 1,938,611,986 | 3,912,527 | - | 169,174,841 | - | 726,982,872 | 7,029,399 | 32,273 | 7,061,672 | 2,845,743,898 | |
| Premium on ordinary shares | - | 11,857,250 | - | - | - | - | - | - | - | 11,857,250 | |
| Converted right to purchase ordinary shares to share capital (Note 20) | 11,857,250 | - | - | - | - | - | - | - | - | 11,857,250 | |
| Treasury stocks during the year (Note 22) | - | - | (113,520,282) | - | - | - | - | - | - | (113,520,282) | |
| Reserve for treasury stocks (Note 22) | - | - | - | - | 113,520,282 | (113,520,282) | - | - | - | - | |
| Dividend paid (Note 29) | - | - | - | - | - | (203,735,047) | - | - | - | (203,735,047) | |
| Total comprehensive income for the year | - | - | - | - | - | (1,274,924,354) | (26,928,192) | 75,257 | (26,852,935) | (1,301,777,289) | |
| Unappropriated retained earnings transferred to statutory reserve | - | - | - | 34,339,929 | - | (34,339,929) | - | - | - | - | |
| Balance as at 31 December 2011 | 1,950,469,236 | 15,769,777 | (113,520,282) | 203,514,770 | 113,520,282 | (899,536,740) | (19,898,793) | 107,530 | (19,791,263) | 1,250,425,780 | |
| Balance as at 31 December 2011 | 1,950,469,236 | 15,769,777 | (113,520,282) | 203,514,770 | 113,520,282 | (899,536,740) | (19,898,793) | 107,530 | (19,791,263) | 1,250,425,780 | |
| Premium on ordinary shares | - | 10,630,750 | - | - | - | - | - | - | - | 10,630,750 | |
| Converted right to purchase ordinary shares to share capital (Note 20) | 10,630,750 | - | - | - | - | - | - | - | - | 10,630,750 | |
| Treasury stocks during the year (Note 22) | - | - | - | - | - | - | - | - | - | - | |
| Reserve for treasury stocks (Note 22) | - | - | - | - | - | - | - | - | - | - | |
| Dividend paid (Note 29) | - | - | - | - | - | - | - | - | - | - | |
| Total comprehensive income for the year | - | - | - | - | - | 1,246,471,301 | (1,186,372) | (107,530) | (1,293,902) | 1,245,177,399 | |
| Unappropriated retained earning transfer to statutory reserve | - | - | - | 19,608,574 | - | (19,608,574) | - | - | - | - | |
| Balance as at 31 December 2012 | 1,961,099,986 | 26,400,527 | (113,520,282) | 223,123,344 | 113,520,282 | 327,325,987 | (21,085,165) | - | (21,085,165) | 2,516,864,679 | |

The accompanying notes are an integral part of the financial statements.

SVI Public Company Limited and its subsidiaries
Statement of changes in shareholders' equity
For the year ended 31 December 2012

| | Separate financial statements | | | | | | | | | | (Unit: Baht) |
|--|-------------------------------|-----------------|-------------------|-------------|-----------------|-----------------------------|-------------------------------|---------------|---|--|--------------|
| | Other components of equity | | | | | | | | | | |
| | Other | | | | | | | | | | |
| | comprehensive income | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | Retained earnings (deficit) | | Surplus | | | |
| | | | | | | Appropriated | Reserve for treasury stocks z | nappropriated | on changes in value of available-for-sale investments | Total other components of shareholders' equity | |
| Issued and fully paid-up share capital | Premium on ordinary shares | Treasury stocks | Statutory reserve | | | | | | | Total | |
| 1,938,611,986 | 3,912,527 | - | 169,174,841 | - | 793,178,743 | 32,273 | | | | 2,904,910,370 | |
| - | 11,857,250 | - | - | - | - | - | - | - | - | 11,857,250 | |
| 11,857,250 | - | - | - | - | - | - | - | - | - | 11,857,250 | |
| - | - | (113,520,282) | - | - | - | - | - | - | - | (113,520,282) | |
| - | - | - | - | 113,520,282 | (113,520,282) | - | - | - | - | - | |
| - | - | - | - | - | (203,735,047) | - | - | - | - | (203,735,047) | |
| - | - | - | - | - | (1,274,139,743) | 75,257 | 75,257 | | | (1,274,064,486) | |
| - | - | - | 34,339,929 | - | (34,339,929) | - | - | - | - | - | |
| 1,950,469,236 | 15,769,777 | (113,520,282) | 203,514,770 | 113,520,282 | (832,556,258) | 107,530 | | | | 1,337,305,055 | |
| 1,950,469,236 | 5,769,777 | 113,520,282) | 203,514,770 | 113,520,282 | (832,556,258) | 107,530 | | | | 1,337,305,055 | |
| - | 10,630,750 | - | - | - | - | - | - | - | - | 10,630,750 | |
| 10,630,750 | - | - | - | - | - | - | - | - | - | 10,630,750 | |
| - | - | - | - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | - | - | - | |
| - | - | - | - | - | 1,198,295,681 | (107,530) | (107,530) | | | 1,198,188,151 | |
| - | - | - | 19,608,574 | - | (19,608,574) | - | - | - | - | - | |
| 1,961,099,986 | 26,400,527 | (113,520,282) | 23,123,344 | 113,520,282 | 346,130,849 | - | - | - | - | 2,556,754,706 | |

The accompanying notes are an integral part of the financial statements.

SVI Public Company Limited and its subsidiaries
Cash flow statement
For the year ended 31 December 2012

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|----------------------|-------------------------------|--------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Cash flows from operating activities | | | | |
| Profit (loss) before tax | 1,248,280,650 | (1,264,250,766) | 1,200,105,030 | (1,263,466,155) |
| Adjustments to reconcile profit (loss) before tax to | | | | |
| net cash provided by (paid from) operating activities: | | | | |
| Loss from flooding | - | 1,965,361,773 | - | 1,965,361,773 |
| Depreciation and amortisation | 163,800,456 | 199,249,330 | 153,105,945 | 184,251,322 |
| Allowance for doubtful accounts (reversal) | (4,002,272) | 105,914,301 | 36,760,000 | 121,638,535 |
| Reduction of cost to net realisable value (reversal) | 26,912,912 | (139,485,342) | 20,299,155 | (138,964,200) |
| Reserve for warranty | 956,350 | 17,052,103 | 956,350 | 17,052,103 |
| Provision for long-term employee benefits | 24,758,727 | 27,979,958 | 24,758,727 | 27,979,958 |
| Loss on impairment of investment | - | - | 13,990,050 | - |
| Loss (gain) from sales written-off of equipment | 341,846,137 | 10,388,204 | 341,846,137 | (3,128,825) |
| Reversal of loss on impairment of equipment | (353,974,947) | (47,045,491) | (353,974,947) | (47,045,491) |
| Unrealised loss (gain) on exchange | (14,356,736) | 60,286,544 | (8,249,620) | 49,810,531 |
| Interest income | (9,719,476) | (10,167,090) | (8,946,260) | (9,968,379) |
| Interest expenses | 34,022,197 | 19,490,640 | 30,243,874 | 18,893,563 |
| Income from operating activities before change | | | | |
| in operating assets and liabilities | 1,458,523,998 | 944,774,164 | 1,450,894,441 | 922,414,735 |
| Operating assets (increase) decrease | | | | |
| Trade accounts receivable | (926,367,120) | 1,059,223,301 | (914,066,023) | 1,044,836,569 |
| Inventories | (114,721,450) | (692,430,141) | (90,123,714) | (653,961,947) |
| Other current assets | 19,663,526 | 25,703,484 | 16,789,868 | 2,043,444 |
| Other non-current assets | 4,079,756 | (23,138,172) | 4,207,124 | (24,916,626) |
| Operating liabilities increase (decrease) | | | | |
| Trade and other payables | (169,729,957) | (280,866,014) | (168,643,351) | (277,868,481) |
| Other current liabilities | (66,426,446) | 30,442,654 | (48,606,204) | 10,657,985 |
| Cash paid for employee benefits | (4,052,932) | - | (4,052,932) | - |
| Cash flows from operating activities | 200,969,375 | 1,063,709,276 | 246,399,209 | 1,023,205,679 |
| Cash paid for interest expenses | (35,075,812) | (18,139,866) | (31,297,489) | (17,542,789) |
| Cash paid for corporate income tax | (2,772,756) | (9,531,920) | (2,772,756) | (8,287,773) |
| Net cash flows from operating activities | 163,120,807 | 1,036,037,490 | 212,328,964 | 997,375,117 |

The accompanying notes are an integral part of the financial statements.

SVI Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2012

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|--|----------------------|--------------------------------------|----------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Cash flows from investing activities | | | | |
| Decrease in current investments | 85,000,001 | 104,999,999 | 85,000,001 | 104,999,999 |
| Increase in investment in a subsidiary | - | - | (13,990,050) | - |
| Decrease (increase) in long-term loan to subsidiary and interest receivable | - | - | 32,985,797 | (685,922) |
| Interest income | 10,030,375 | 10,167,090 | 11,059,976 | 9,968,379 |
| Cash paid for purchase of property, plant and equipment | (598,519,989) | (522,763,198) | (592,297,804) | (521,572,678) |
| Proceed from sales of equipment | 13,744,805 | 7,381,941 | 53,090,336 | 6,687,351 |
| Cash paid for purchase of computer software | (1,656,482) | (2,988,295) | (1,656,482) | (2,988,295) |
| Net cash flows used in investing activities | (491,401,290) | (403,202,463) | (425,808,226) | (403,591,166) |
| Cash flows from financing activities | | | | |
| Decrease in short-term loans from financial institution | 87,456,555 | 711,900 | - | - |
| Cash receipt from long-term loans from banks | 915,550,000 | - | 915,550,000 | - |
| Repayment of long-term loans from banks | (1,005,368,796) | (273,349,800) | (1,005,368,796) | (273,349,800) |
| Decrease in liabilities under financial lease | (695,461) | (2,277,605) | (695,461) | (2,277,605) |
| Cash paid for treasury stocks | - | (113,520,282) | - | (113,520,282) |
| Dividend paid | - | (203,735,047) | - | (203,735,047) |
| Cash received from converted right to purchase ordinary shares | 21,261,500 | 23,714,500 | 21,261,500 | 23,714,500 |
| Net cash flows from (used in) financing activities | 18,203,798 | (568,456,334) | (69,252,757) | (569,168,234) |
| Increase (decrease) in translation adjustment | 6,698,102 | (12,359,431) | - | - |
| Effects of changes in exchange rate on cash and cash equivalents | (3,731,984) | 6,753,124 | (3,731,984) | 6,753,124 |
| Net increase (decrease) in cash and cash equivalents | (307,110,567) | 58,772,386 | (286,464,003) | 31,368,841 |
| Cash and cash equivalents at beginning of year | 924,390,491 | 865,618,105 | 865,074,112 | 833,705,271 |
| Cash and cash equivalents at end of year (Note 8) | 617,279,924 | 924,390,491 | 578,610,109 | 865,074,112 |
| Supplemental cash flows information: | | | | |
| Non-cash items consist of : | | | | |
| Unrealised gain (loss) on the change in value of investments | (107,530) | 75,257 | (107,530) | 75,257 |
| Purchase of machinery and equipment for which no cash has been paid | 24,408,588 | 77,744,956 | 24,408,588 | 77,744,956 |
| Sale of machinery to subsidiary that has not yet been received | 61,122,320 | 15,815,319 | 61,122,320 | 15,815,319 |
| Consigned stock and equipment for production payable | 281,275,636 | 285,458,208 | 281,275,636 | 285,458,208 |

The accompanying notes are an integral part of the financial statements.

SVI Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2012

1. Corporate information

SVI Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company was listed on the Stock Exchange of Thailand on 25 May 1994. Its major shareholder is MFG Solution Company Limited. The Company is principally engaged in the manufacture and distribution of electronic manufacturing services (EMS). The registered office of the Company is at 142 Moo 5, Bangkadi Industrial Park, Tiwanon Road, Bangkadi, Muang, Pathumthani. The Company’s factory is located at 33/10 Moo 4, Chaeng Wattana Road, Bangtalad, Pakkred, Nontaburi.

2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of SVI Public Company Limited (“the Company”) and the following subsidiaries (“the subsidiaries”):

| Company’s name | Nature of business | Country of incorporation | Percentage of shareholding | |
|----------------------------|--------------------------------|--------------------------|----------------------------|-------------|
| | | | <u>2012</u> | <u>2011</u> |
| | | | Percent | Percent |
| <u>Held by the Company</u> | | | | |
| Globe Vision Corp. | Holding of investment | British Virgin Island | 100 | 100 |
| SVI A/S | Raw materials sourcing service | Denmark | 100 | 100 |

| Company’s name | Nature of business | Country of incorporation | Percentage of indirect shareholding | |
|--|--|--------------------------|-------------------------------------|-------------|
| | | | <u>2012</u> | <u>2011</u> |
| | | | Percent | Percent |
| <u>Held by Globe Vision Corp.</u> | | | | |
| SVI China Limited | Holding of investment and raw materials sourcing service | Hong Kong | 100 | 100 |
| Shi Wei Electronics (HK) Company Limited | Raw materials sourcing service | Hong Kong | 100 | 100 |
| Northtec Co., Ltd. | Raw materials sourcing service | Taiwan | 100 | 100 |
| <u>Held by SVI China Limited</u> | | | | |
| SVI Electronics (Tianjin) Co., Ltd. | Manufacturing electronics equipment | China | 100 | 100 |

- b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
 - c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
 - d) The assets and liabilities in the financial statements of overseas subsidiary companies are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of “Exchange differences on translation of financial statements in foreign currency” in the statement of changes in shareholders’ equity.
 - e) Material balances and transactions between the Company and its subsidiaries, have been eliminated from the consolidated financial statements.
- 2.3 The separate financial statements, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

3. New accounting standards not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

| | |
|-----------------------|--|
| TAS 12 | Income Taxes |
| TAS 20 (revised 2009) | Accounting for Government Grants and Disclosure of Government Assistance |
| TAS 21 (revised 2009) | The Effects of Changes in Foreign Exchange Rates |

Financial Reporting Standard:

| | |
|--------|--------------------|
| TFRS 8 | Operating Segments |
|--------|--------------------|

Accounting Standard Interpretations:

| | |
|--------|---|
| SIC 10 | Government Assistance - No Specific Relation to Operating Activities |
| SIC 21 | Income Taxes - Recovery of Revalued Non-Depreciable Assets |
| SIC 25 | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders |

The Company’s management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines. The management has assessed the impact on the financial statements when this standard is adopted and expects that this accounting standards will not have any significant impact because the Company has been granted promotional privileges from the Board of Investment.

TAS 21 (revised 2009) The Effects of Changes in Foreign Exchange Rates

This accounting standard requires an entity to identify its functional currency in accordance with certain conditions in the standard and to record transactions and report its financial position and operating results in this functional currency, which may not be Baht.

The management assessed the impact on the financial statements when this standard is adopted and expects that this accounting standards will not have any significant impact.

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

| | | Effective date |
|---|---|----------------|
| Accounting Treatment Guidance for Transfers of Financial Assets | | 1 January 2013 |
| Accounting Standard Interpretation: | | |
| SIC 29 | Service Concession Arrangements: Disclosures | 1 January 2014 |
| Financial Reporting Standard Interpretations: | | |
| TFRIC 4 | Determining whether an Arrangement contains a Lease | 1 January 2014 |
| TFRIC 12 | Service Concession Arrangements | 1 January 2014 |
| TFRIC 13 | Customer Loyalty Programmes | 1 January 2014 |

The management of the Company has assessed the effect of these standards and believes that Accounting Treatment Guidance for Transfers of Financial Assets, SIC 29, TFRIC 4 and TFRIC 12 are not relevant to the business of the Company. Management is still evaluating the first-year impact to the financial statements of the adoption of TFRIC 13 and has yet to reach a conclusion.

4. Significant accounting policies

4.1 Revenue Recognition

Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowance.

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

Dividends

Dividends are recognised when the right to receive the dividends is established.

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

4.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

4.4 Inventories

Finished goods and work in process are valued at the lower of standard cost (which approximates actual cost) and net realisable value. Standard cost includes all production costs and attributable factory overheads.

Raw materials, supplies and spare parts are valued at the lower of weighted average cost and net realisable value and are charged to production costs whenever consumed.

4.5 Investments

- Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.
- Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.

- c) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.
The fair value of unit trusts is determined from their net asset value.
The weighted average method is used for computation of the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

4.6 Property, plant and equipment / depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

| | |
|--|--------------|
| Buildings | 20 years |
| Land and building improvements | 5 years |
| Machinery and equipment | 3 - 10 years |
| Furniture, fixtures and office equipment | 5 - 10 years |
| Motor vehicles | 5 years |

Depreciation is included in determining income.

No depreciation is provided on land, work under construction and machinery under installation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

4.7 Intangible assets

Intangible assets are recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any). Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

A summary of the intangible assets with finite useful lives is as follows:

| | <u>Useful lives</u> |
|-------------------|---------------------|
| Computer software | 5 years |

4.8 Related party transactions

Related parties comprise enterprises and individuals that control or are controlled by the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, and key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

4.9 Long-term lease

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The equipment acquired under finance lease is depreciated over the shorter of the useful life of the asset and the lease period.

Leases of property, plant and equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

4.10 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period, with the exception of those covered by forward exchange contracts, which are translated at the contracted rates.

Gains and losses on exchange are included in determining income.

4.11 Impairment of assets

At the end of reporting period, the Company performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the profit or loss.

4.12 Treasury stock

Treasury stock is stated at cost in the statements of financial position and presented as a deduction from shareholders' equity. Gains on disposal of treasury stock are determined by reference to its carrying amount and are taken to premium on treasury stock, losses on disposal of treasury stock are determined by reference to its carrying amount and are taken to premium on treasury stock and retained earnings, consecutively.

The weighted average method is used for computation of the unit cost of treasury stock.

4.13 Employee benefits

Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

Post-employment benefits

Defined contribution plans

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

Defined benefit plans

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, as expenses in profit or loss for the year 2011.

4.14 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.15 Income tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on the taxable profits from the non-promoted activities determined in accordance with tax legislation. Income tax of the overseas subsidiaries is provided for in the accounts based on the taxable profits determined in accordance with tax legislation of their countries.

4.16 Derivatives

Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the end of reporting period. Unrecognised gain and losses from the translation are included in profit or loss. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

Interest rate swap contracts

The net amount of interest to be received from or paid to the counterparty under an interest rate swap contract is recognised as income or expenses on an accrual basis.

Currency option contracts

The notional amounts of cross currency option contracts utilised by the Company to manage foreign exchange risk are not recognised as assets or liabilities upon inception of the agreement, but fees to be received or paid by the Company in respect of such contracts are amortised on a straight line basis over the term of contracts.

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgments and estimates are as follows:

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset have been transferred, taking into consideration terms and conditions of the arrangement.

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercises judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

Impairment of equity investments

The Company treats available-for-sale investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment of the management.

Allowance for diminution in value of inventory

The determination of allowance for diminution in the value of inventory requires management to exercise judgment in estimating losses on outstanding inventory, based on the selling price expected in the ordinary course of business, minus selling expenses and provision for obsolete, slow-moving and deteriorated inventories, and taking into account the approximate useful life of each type of inventory and current changes in technology.

Property plant and equipment / Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

Litigation

The Company have a contingent liabilities as a result of litigation. The Company's management has used judgement to assess the results of the litigation and recorded contingent liabilities as at the end of reporting period as described in Note 30.4 to the financial statements.

6. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

| | Consolidated financial statements | | Separate financial statements | | Transfer Pricing Policy |
|---|--------------------------------------|------|----------------------------------|------|--------------------------------|
| | 2012 | 2011 | 2012 | 2011 | |
| <u>Transactions with subsidiaries</u> | | | | | |
| (Eliminated from the consolidated financial statements) | | | | | |
| Sales of goods and raw materials | - | - | 16 | 32 | Cost plus margin of 2% |
| Purchases of raw materials | - | - | 525 | 657 | At cost |
| Raw materials sourcing fee | - | - | 69 | 58 | Actual charge |
| Interest income | - | - | 1 | 1 | 2% per annum |
| Sales of machinery and equipment | - | - | - | 15 | Book value plus margin of 800% |
| <u>Transactions with related parties</u> | | | | | |
| Raw materials sourcing fee and marketing fee | - | 6 | - | 6 | Actual charge |

In the second quarter of 2011, the Company sold machine of which book value was Baht 1.6 million to SVI China Limited, a subsidiary office that invested through Globe Vision Corp., for USD 501,270 for additional investment of SVI Electronics (Tianjin) Co., Ltd. that was also the Company's subsidiary. The Company recorded Baht 13.5 million of gain from selling machinery in the separate financial statements on 28 September 2011, SVI Electronics (Tianjin) Co., Ltd. already registered additional investment of company.

The balances of the accounts as at 31 December 2012 and 2011 between the Company and those related companies are as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|------|-------------------------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| <u>Trade and other receivables - subsidiary (Note 10)</u> | | | | |
| Subsidiary | - | - | 103,892 | 91,138 |
| Less: Allowance for doubtful debt | - | - | (103,606) | (62,696) |
| Total trade and other receivable - subsidiary - net | - | - | 286 | 28,442 |
| <u>Other receivable (non-current) - subsidiary</u> | | | | |
| Subsidiary | - | - | 61,430 | 100,899 |
| Less: Allowance for doubtful debt | - | - | (4,234) | (4,382) |
| Total other receivable - subsidiary - net | - | - | 57,196 | 96,517 |
| <u>Long-term loan to subsidiary and interest receivable</u> | | | | |
| Subsidiary | - | - | - | 36,508 |
| <u>Trade accounts payable - related parties (Note 16)</u> | | | | |
| Subsidiaries | - | - | 143,422 | 131,812 |
| Total trade accounts payable - related parties | - | - | 143,422 | 131,812 |

Long-term loan to subsidiary and interest receivable

As at 31 December 2012 and 2011, the balance of long-term loan and interest receivable between the Company and its subsidiary and the movements of long-term loan to subsidiary and interest receivable are as follows:

(Unit: Thousand Baht)

| | During the year | | | |
|--|------------------------------|--------------------------|--------------------------|--------------------------------|
| | Balance as at 1 January 2012 | Increase during the year | Decrease during the year | Unrealised gain on exchange |
| | | | | Balance as at 31 December 2012 |
| <u>Long-term loan to subsidiary</u> | | | | |
| Globe Vision Corp. | 34,705 | - | (33,372) | (1,333) |
| <u>Interest receivable</u> | | | | |
| Globe Vision Corp. | 1,803 | 203 | (2,032) | 26 |
| Total long-term loan to subsidiary and interest receivable | 36,508 | 203 | (35,404) | (1,307) |

As at 31 December 2011, the Company had long-term loan of USD 1.10 million, which is unsecured loan to Globe Vision Corp., and carried interest at a rate of 2.0 percent per annum.

Directors and management's benefits

During the years ended 31 December 2012 and 2011, the Company and its subsidiaries had employee benefit expenses of their directors and management as below.

(Unit: Million Baht)

| | Consolidated financial statements | | Separate financial statements | |
|------------------------------|-----------------------------------|------|-------------------------------|------|
| | 2012 | 2011 | 2012 | 2011 |
| Short-term employee benefits | 39 | 41 | 39 | 41 |
| Post employment benefits | 6 | 9 | 6 | 9 |
| Total | 45 | 50 | 45 | 50 |

Guarantee obligations with subsidiary

The Company had outstanding guarantees with its subsidiary as described in Note 30.3 (b) to the financial statements.

7. Claim refund from the severe flooding

From 21 October 2011 to 7 December 2011, there was severe flooding in Pathumthani province, and the location of the Company's factory at the Bangkadi Industrial Park was inundated. Based on assessment of the situation at that time, the Company installed adequate flood barriers and relocated certain machinery to its factory on Jangwattana Road, in Nonthaburi province. However, the actual flood levels exceeded those expected and the factory was heavily flooded, resulting in damage to the Company's assets: inventories, building utility systems, and machinery. The Company estimated its asset losses and recognised losses due to flooding totaling Baht 1,974 million in profit or loss for the year 2011. This caused earnings per share to decrease by Baht 1.02 per share. The details are as below.

1. The Company wrote off damaged inventories which could no longer be used for manufacture or for sale, totaling Baht 1,434 million, at cost. Such amount is composed of damaged goods of the Company amounting to Baht 1,195 million and damaged goods belonging to customers that were stored at the factory amounting to Baht 239 million.
2. The Company recorded allowance for loss on impairment and wrote off some of its building utility systems, machinery and equipment, furniture, fixtures and other office supplies with net book values of Baht 531 million. Such amount was composed of allowance for loss on impairment of damaged asset of the Company with net book value amounting to Baht 485 million and wrote off damaged assets belonging to customers that were stored at the Company with net book value amounting to Baht 46 million.
3. Other expenses such as consulting fees and preliminary recovery expenses, are amounting to Baht 9 million.

However, the Company has an Accidental Damage (Property) Insurance Policy coverage for the replacement value of property damage caused by flooding and for business interruption. The sum insured under the policy is as follows:

| | Million Baht |
|-----------------------|--------------|
| Property damage | 1,640 |
| Inventory damage | 1,700 |
| Business interruption | 750 |

During the year 2012, the Company had additional expenses from flooding by Baht 34 million and the Company received Baht 730 million as a part of claim refund from its insurer and recorded such amount in profit or loss for the current year.

8. Cash flow statement

For the purpose of the statements of cash flows, cash and cash equivalents include cash in hand and at banks and current investments with an original maturity of 3 months or less.

Cash and cash equivalents as reflected in the statements of cash flows consist of the followings:

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|--------------------------------------|---------|----------------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Cash | 2,059 | 1,737 | 1,106 | 1,349 |
| Deposit at banks | 565,221 | 372,653 | 527,504 | 313,725 |
| Cash and cash equivalents | 567,280 | 374,390 | 528,610 | 315,074 |
| Current investments - | | | | |
| Government bond and bill of exchange with an original maturity of 3 months or less | 50,000 | 550,000 | 50,000 | 550,000 |
| Cash and cash equivalents in cash flow statement | 617,280 | 924,390 | 578,610 | 865,074 |

As at 31 December 2012, bank deposits in saving accounts, fixed deposits and bills of exchange carried interests between 0.1 and 2.1 percent per annum (2011: between 0.7 and 2.6 percent per annum).

9. Current investments

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|--------------------------------------|---------|----------------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Fixed deposit | 60,000 | - | 60,000 | - |
| Available-for sale securities | | | | |
| Unit trusts | 100,000 | 245,000 | 100,000 | 245,000 |
| Add: Unrealised gain on the change in value of investments | - | 108 | - | 108 |
| Unit trusts - net | 100,000 | 245,108 | 100,000 | 245,108 |
| Bills of exchange | 50,000 | 350,000 | 50,000 | 350,000 |
| Total | 150,000 | 595,108 | 150,000 | 595,108 |
| Held to maturity debt security due within one year | | | | |
| Government bond | - | 200,000 | - | 200,000 |
| Total current investments | 210,000 | 795,108 | 210,000 | 795,108 |

10. Trade accounts receivable

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|--------------------------------------|------|----------------------------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| <u>Trade accounts receivable - related parties</u> | | | | |
| Aged on the basis of due dates | | | | |
| Not yet due | - | - | 113 | 17,416 |
| Past due | | | | |
| Up to 3 months | - | - | 173 | 11,035 |
| 3 - 6 months | - | - | 533 | 1,708 |
| 6 - 12 months | - | - | 31,839 | 7,130 |
| Over 12 months | - | - | 71,234 | 53,849 |
| Total | - | - | 103,892 | 91,138 |
| Less: Allowance for doubtful debts | - | - | (103,606) | (62,696) |
| Total trade accounts receivable - related parties, net | - | - | 286 | 28,442 |

| (Unit: Thousand Baht) | | | | |
|------------------------------------|-----------------------------------|-----------|-------------------------------|-----------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2012 | 2011 | 2012 | 2011 |
| | | | | |
| Aged on the basis of due dates | | | | |
| Not yet due | 1,084,311 | 37,783 | 1,043,193 | 3,093 |
| Past due | | | | |
| Up to 3 months | 387,998 | 639,581 | 368,965 | 635,300 |
| 3 - 6 months | 11,910 | 36,724 | 8,424 | 36,724 |
| 6 - 12 months | 8,309 | 5,418 | 1,181 | 2,727 |
| Over 12 months | 159,169 | 10,999 | 159,169 | 10,999 |
| Total | 1,651,697 | 730,505 | 1,580,932 | 688,843 |
| Less: Allowance for doubtful debts | (140,452) | (143,048) | (139,046) | (143,048) |
| Total trade accounts receivable | | | | |
| - unrelated parties, net | 1,511,245 | 587,457 | 1,441,886 | 545,795 |
| Total trade accounts receivable | | | | |
| - net | 1,511,245 | 587,457 | 1,442,172 | 574,237 |

As discussed in Note 7 and Note 30.4 to the financial statements, the Company fully set aside Baht 122 million of provision for doubtful accounts as a result of the dispute between the Company and such customer.

11. Inventories

| (Unit: Thousand Baht) | | | | | | |
|--------------------------|-----------------------------------|-----------|------------------|----------|-------------------|-----------|
| | Consolidated financial statements | | | | | |
| | Cost reduction to net | | | | | |
| | Cost | | realisable value | | Inventories - net | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Finished goods | 175,455 | 71,827 | (10) | (10) | 175,445 | 71,817 |
| Work in process | 129,092 | 124,418 | - | - | 129,092 | 124,418 |
| Raw materials | 945,419 | 892,165 | (90,034) | (63,201) | 855,385 | 828,964 |
| Supplies and spare parts | 1,979 | 1,366 | (60) | (60) | 1,919 | 1,306 |
| Raw materials in transit | 54,437 | 90,766 | - | - | 54,437 | 90,766 |
| Total | 1,306,382 | 1,180,542 | (90,104) | (63,271) | 1,216,278 | 1,117,271 |

| (Unit: Thousand Baht) | | | | | | |
|--------------------------|-------------------------------|-----------|------------------|----------|-------------------|-----------|
| | Separate financial statements | | | | | |
| | Cost reduction to net | | | | | |
| | Cost | | realisable value | | Inventories - net | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Finished goods | 169,040 | 70,938 | (10) | (10) | 169,030 | 70,928 |
| Work in process | 102,535 | 112,803 | - | - | 102,535 | 112,803 |
| Raw materials | 885,699 | 836,495 | (81,133) | (60,834) | 804,566 | 775,661 |
| Supplies and spare parts | 1,979 | 1,366 | (60) | (60) | 1,919 | 1,306 |
| Raw materials in transit | 54,437 | 90,766 | - | - | 54,437 | 90,766 |
| Total | 1,213,690 | 1,112,368 | (81,203) | (60,904) | 1,132,487 | 1,051,464 |

(Unit: Thousand Baht)

12. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

(Unit: Thousand Baht)

| Company's name | Paid-up share capital | | Shareholding | | Cost method | |
|--|-----------------------|-------|--------------|---------|-----------------|----------------|
| | | | percentage | | | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | | | | | | |
| | | | Percent | Percent | | |
| Globe Vision Corp. | 22,828 | 8,838 | 100 | 100 | 22,828 | 8,838 |
| SVI A/S | 3,269 | 3,269 | 100 | 100 | <u>3,269</u> | <u>3,269</u> |
| Total investments in subsidiaries | | | | | 26,097 | 12,107 |
| Less: Allowance for impairment of investment | | | | | <u>(22,828)</u> | <u>(8,838)</u> |
| Total investments in subsidiaries - net | | | | | <u>3,269</u> | <u>3,269</u> |

During the current year, a subsidiary (Globe Vision Corp.) called for paid up share capital amounting USD 0.45 million. On 8 May 2012 the Company additionally invested in USD 0.45 million or Baht 14 million in Globe Vision Corp.

The financial statements of subsidiaries which are included in the consolidated financial statements were audited by other auditors. Their aggregate assets and revenues are as follows.

(Unit: Million Baht)

| | Total assets as at | | Total revenues | |
|--|--------------------|------------|--------------------|------------|
| | 31 December | | for the year ended | |
| | 2012 | 2011 | 2012 | 2011 |
| Globe Vision Corp. | 13 | 36 | - | 1 |
| SVI Electronics (Tianjin) Co., Ltd. | 140 | 91 | 330 | 120 |
| SVI A/S | 6 | 10 | 3 | - |
| Northtec Co., Ltd. | 9 | 11 | 1 | 1 |
| SVI China Limited | 2 | 36 | - | - |
| Shi Wei Electronics (HK) Company Limited | <u>-</u> | <u>1</u> | <u>-</u> | <u>-</u> |
| Total | <u>170</u> | <u>185</u> | <u>334</u> | <u>122</u> |

On 24 February 2011, a meeting of the Board of Directors acknowledged the acquisition of USD 500,000 of the common stock of a subsidiary, SVI Electronics (Tianjin) Co., Ltd., by SVI China Limited which is a subsidiary of the Company held through Globe Vision Corp. On 28 September 2011 SVI Electronics (Tianjin) Co., Ltd. already registered the increase of its share capital.

13. Property, plant and equipment

(Unit: Thousand Baht)

| Consolidated financial statements | | | | | | | |
|--|---------|---|-------------------------------|---|----------|--|-----------|
| | Land | Buildings and land improvements and building | Machinery and equipment | Furniture, fixtures and office equipment | Vehicles | Work under construction and machinery under installation | Total |
| Cost | | | | | | | |
| 1 January 2011 | 429,873 | 237,208 | 1,033,726 | 182,050 | 7,826 | 182,733 | 2,073,416 |
| Addition | 118,118 | 135,884 | 7,075 | 11,835 | 3,540 | 399,379 | 675,831 |
| Disposal/write-off | - | - | (206,125) | (7,448) | - | - | (213,573) |
| Transfer in (out) | - | 1,723 | 197,167 | 29,036 | - | (228,416) | (490) |
| Translation adjustment | - | 1,892 | (6,571) | 1,019 | - | - | (3,660) |
| 31 December 2011 | 547,991 | 376,707 | 1,025,272 | 216,492 | 11,366 | 353,696 | 2,531,524 |
| Addition | - | 1,437 | 17,668 | 4,758 | 8,343 | 500,920 | 533,126 |
| Disposal/write-off | - | (15,949) | (767,173) | (137,512) | (1,563) | (47,040) | (969,237) |
| Transfer in (out) | - | 133,792 | 496,413 | 20,375 | - | (651,486) | (906) |
| Translation adjustment | - | (453) | (10,323) | (204) | - | - | (10,980) |
| 31 December 2012 | 547,991 | 495,534 | 761,857 | 103,909 | 18,146 | 156,090 | 2,083,527 |
| Accumulated depreciation | | | | | | | |
| 1 January 2011 | - | 133,223 | 731,066 | 145,231 | 4,703 | - | 1,014,223 |
| Depreciation for the year | - | 19,794 | 154,491 | 18,513 | 1,764 | - | 194,562 |
| Depreciation on disposal/ write-off | - | - | (188,295) | (7,333) | - | - | (195,628) |
| Translation adjustment | - | 1,831 | 8,315 | 762 | - | - | 10,908 |
| 31 December 2011 | - | 154,848 | 705,577 | 157,173 | 6,467 | - | 1,024,065 |
| Depreciation for the year | - | 34,846 | 111,065 | 11,264 | 2,477 | - | 159,652 |
| Depreciation on disposal/ write-off | - | (15,433) | (500,075) | (97,979) | (1,064) | - | (614,551) |
| Translation adjustment | - | (451) | (2,460) | (210) | - | - | (3,121) |
| 31 December 2012 | - | 173,810 | 314,107 | 70,248 | 7,880 | - | 566,045 |

(Unit: Thousand Baht)

Consolidated financial statements

| | | Buildings and land | Machinery and | Furniture, fixtures and office | Vehicles | Work under construction and machinery under installation | Total |
|---|-------------|-----------------------|------------------|--------------------------------------|----------|---|-----------|
| | <u>Land</u> | <u>improvements</u> | <u>equipment</u> | <u>equipment</u> | | | |
| Allowance for impairment loss | | | | | | | |
| 1 January 2011 | - | - | 47,046 | - | - | - | 47,046 |
| Increase during the year | - | 10,647 | 239,900 | 39,519 | 498 | 147,294 | 437,858 |
| 31 December 2011 | - | 10,647 | 286,946 | 39,519 | 498 | 147,294 | 484,904 |
| Decrease during the year | - | - | (266,918) | (39,519) | (498) | (47,040) | (353,975) |
| 31 December 2012 | - | 10,647 | 20,028 | - | - | 100,254 | 130,929 |
| Net book value | | | | | | | |
| 31 December 2011 | 547,991 | 211,212 | 32,749 | 19,800 | 4,401 | 206,401 | 1,022,555 |
| 31 December 2012 | 547,991 | 311,077 | 427,722 | 33,661 | 10,266 | 55,836 | 1,386,553 |
| Depreciation for the year | | | | | | | |
| 2011 (Baht 148 million included in manufacturing cost, and the balance in selling and administrative expense) | | | | | | | 194,562 |
| 2012 (Baht 147 million included in manufacturing cost, and the balance in selling and administrative expense) | | | | | | | 159,652 |

| | Separate financial statements | | | | | | Total |
|---|-------------------------------|---------------------------------|-------------------------|--|----------|--|-----------|
| | Land | Buildings and land improvements | Machinery and equipment | Furniture, fixtures and office equipment | Vehicles | Work under construction and machinery under installation | |
| Cost | | | | | | | |
| 1 January 2011 | 429,873 | 218,387 | 960,485 | 171,725 | 7,826 | 182,734 | 1,971,030 |
| Addition | 118,118 | 135,736 | 6,939 | 10,903 | 3,540 | 399,379 | 674,615 |
| Disposal/write off | - | - | (215,950) | (7,287) | - | - | (223,237) |
| Transfer in (out) | - | 1,723 | 197,167 | 29,037 | - | (228,417) | (490) |
| 31 December 2011 | 547,991 | 355,846 | 948,641 | 204,378 | 11,366 | 353,696 | 2,421,918 |
| Addition | - | 1,450 | 14,258 | 2,024 | 8,344 | 500,920 | 526,996 |
| Disposal/write-off | - | (15,949) | (767,173) | (137,512) | (1,563) | (47,040) | (969,237) |
| Transfer in (out) | - | 133,792 | 496,413 | 20,375 | - | (651,486) | (906) |
| 31 December 2012 | 547,991 | 475,139 | 692,139 | 89,265 | 18,147 | 156,090 | 1,978,771 |
| Accumulated depreciation | | | | | | | |
| 1 January 2011 | - | 115,943 | 651,950 | 138,589 | 4,703 | - | 911,185 |
| Depreciation for the year | - | 19,120 | 141,904 | 16,777 | 1,764 | - | 179,565 |
| Depreciation on disposal/write-off | - | - | (196,518) | (7,196) | - | - | (203,714) |
| 31 December 2011 | - | 135,063 | 597,336 | 148,170 | 6,467 | - | 887,036 |
| Depreciation for the year | - | 34,456 | 102,471 | 9,620 | 2,477 | - | 149,024 |
| Depreciation on disposal/write-off | - | (15,433) | (500,075) | (97,979) | (1,064) | - | (614,551) |
| 31 December 2012 | - | 154,086 | 199,732 | 59,811 | 7,880 | - | 421,509 |
| Allowance for impairment loss | | | | | | | |
| 1 January 2011 | - | - | 47,046 | - | - | - | 47,046 |
| Increase during the year | - | 10,647 | 239,900 | 39,519 | 498 | 147,294 | 437,858 |
| 31 December 2011 | - | 10,647 | 286,946 | 39,519 | 498 | 147,294 | 484,904 |
| Decrease during the year | - | - | (266,918) | (39,519) | (498) | (47,040) | (353,975) |
| 31 December 2012 | - | 10,647 | 20,028 | - | - | 100,254 | 130,929 |
| Net book value | | | | | | | |
| 31 December 2011 | 547,991 | 210,136 | 64,359 | 16,689 | 4,401 | 206,402 | 1,049,978 |
| 31 December 2012 | 547,991 | 310,406 | 472,379 | 29,454 | 10,267 | 55,836 | 1,426,333 |
| Depreciation for the year | | | | | | | |
| 2011 (Baht 136 million included in manufacturing cost, and the balance in selling and administrative expense) | | | | | | | 179,565 |
| 2012 (Baht 144 million included in manufacturing cost, and the balance in selling and administrative expense) | | | | | | | 149,024 |

As at 31 December 2012, the Company had vehicles and equipment under finance lease agreements with net book values amounting to Baht 3 million (2011: Baht 4 million).

As at 31 December 2012, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment loss of those assets amounted to approximately Baht 124 million (2011: Baht 174 million).

As discussed in Note 7 to the financial statements, because actual flood levels exceeded the expected levels, the factory was inundated, causing damage to the machinery kept on the first floor. The humidity from the flood damaged the machinery so much that it can no longer be repaired or used for manufacturing. In addition, building utility systems, furniture, fixtures and other office supplies were damaged by the flood. After estimating the losses incurred, the Company recorded allowance for loss on impairment of damaged assets with net book values amounting to Baht 485 million, and recognised this loss in profit or loss for the year 2011.

14. Intangible assets

The net book value of intangible assets as at 31 December 2012 and 2011 is presented below.

(Unit: Thousand Baht)

| | Consolidated and Separate financial statements | |
|--------------------------------|---|----------|
| | 2012 | 2011 |
| Cost | 82,508 | 80,851 |
| Less: Accumulated amortisation | (74,560) | (70,478) |
| Net book value | 7,948 | 10,373 |

A reconciliation of the net book value of intangible assets for the years 2012 and 2011 is presented below.

(Unit: Thousand Baht)

| | Consolidated and Separate financial statements | |
|-------------------------------------|---|---------|
| | 2012 | 2011 |
| Net book value at beginning of year | 10,373 | 12,072 |
| Acquisition of computer software | 1,656 | 2,956 |
| Transfer in | 1,813 | 32 |
| Transfer out | (1,813) | - |
| Amortisation | (4,081) | (4,687) |
| Net book value at end of year | 7,948 | 10,373 |

15. Short-term loan from financial institution

As at 31 December 2012 and 2011, short-term loan from financial institution of the subsidiary is a loan from the branch in China of an overseas bank in foreign currency. The loan carries interest at rates to 5.10 to 7.57% per annum and is due in March 2013 (2011: 9.65% per annum and is due in March 2012). The Company guaranteed the above loan by RMB 3.0 million and USD 1.7 million.

16. Trade and other payables

(Unit: Thousand Baht)

| | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | |
|-----------------------------------|--|------------------|--------------------------------------|------------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| Trade payables - related parties | - | - | 143,422 | 131,812 |
| Trade payable - unrelated parties | 1,200,033 | 1,367,981 | 1,032,168 | 1,192,921 |
| Liabilities for acquisition of | | | | |
| machine and equipment | 24,409 | 130,636 | 24,409 | 130,636 |
| Accrued expenses | 112,126 | 96,935 | 96,001 | 96,783 |
| Consigned stock and equipment | | | | |
| for production payable | <u>281,276</u> | <u>285,458</u> | <u>281,276</u> | <u>285,458</u> |
| Total trade and other payables | <u>1,617,844</u> | <u>1,881,010</u> | <u>1,577,276</u> | <u>1,837,610</u> |

Consigned stock and equipment for production payable represents consigned products and equipment at the Company's factory that were damaged by flooding. Currently, the Company is claiming compensation from its insurance company.

17. Long-term loans from banks

(Unit: Thousand Baht)

| | <u>Consolidated and Separate financial statements</u> | |
|---|---|------------------|
| | <u>2012</u> | <u>2011</u> |
| Long-term loans from banks | 551,533 | 617,539 |
| Less: Current portion | <u>(449,044)</u> | <u>(273,754)</u> |
| Long-term loans, net of current portion | <u>102,489</u> | <u>343,785</u> |

- 17.1 On 12 May 2010, the Company entered into a loan agreement with a commercial bank for a facility of USD 12 million to fund capital expenditure. The Company has drawn down the full amount. The loan carries interest at LIBOR plus a margin per annum, but the aggregate interest rate is limited to the maximum interest rate announced by the bank. Interest is payable in quarterly installment, commencing from the first utilisation date, and is to be completed within 3 years. There is a grace period for payment of loan principal of 9 months as from the first utilisation date, and the Company is then to repay the loans in 10 equal installments, with full settlement of principal to be made within 3 years from the first utilisation date. The Company is therefore to commence principal repayment in March 2011, and it is to be completed within 2013. The loan is secured by a negative pledge and therefore the Company has not pledged any collateral. The Company has covenanted not to sell, transfer, mortgage, pledge or create lien over any of the fixed assets.

On 10 January 2012, the Company entered into an amendment of loan agreement that changed the terms of payments, from completion within 3 years (36 installments) from the first utilisation date, to payment in 42 installments from the first utilisation date and with the fourth principle installment of December 2011 and the fifth installment of March 2012 to be waived, such that the Company started repayment of principle with the fourth installment in June 2012 and complete settlement in 2013. The outstanding balance of the loan as at 31 December 2012 was Baht 148 million (2011: Baht 267 million).

The loan agreement contains certain covenants and restrictions imposed by the lenders regarding merger, changes in the business, acquisitions, loans and guarantees, and dividend payment, as well as the maintenance of the shareholding of the Company's Chief Executive Officer, and certain financial ratios.

17.2 On 28 June 2010, the Company entered into the following loan agreements with a commercial bank.

- a) A Baht 20 million overdraft agreement for a loan carrying interest at MOR per annum.
- b) A USD 12 million loan agreement to provide funds for replenishment of the Company's core operating assets or for investment in machinery or factory improvements. The Company has drawn down the full amount. The loan carries interest at LIBOR3M plus a fixed rate per annum, payable quarterly as from the third month from the date of the first drawdown. The principal is payable in 10 quarterly installments of USD 1.2 million per each, with the first installment due in the ninth month after the first drawdown date and settlement to be completed within 3 years from the first drawdown date. The Company is therefore to commence principal repayment in July 2011 and it is to be completed within 2014.

On 17 November 2011, the Company entered into an amendment loan agreement to change the terms of payment, granting waivers of principal and interest payment of December 2011 and March 2012 (two installments). The Company then agreed to pay principal and interest in accordance with the original terms of the loan agreement from June 2012 onward. In addition, the Company requested extension of the term of the loan by 6 months, such that settlement is to be completed by March 2014. Interest accrued during the grace period is to be deducted from the installments that the Company pays in accordance with the terms of the loan agreement after the grace period, with payments first credited against interest and the remainder credited against principal. The outstanding balance of the loan as at 31 December 2012 was USD 6 million or Baht 185 million (2011: USD 10 million or Baht 306 million).

These loans are secured by negative pledges. The loan agreements contain certain covenants and restrictions imposed by the lenders, such as prohibitions on the creation of commitments or the sale or transfer of assets, and the maintenance of certain financial ratios.

17.3 On 18 September 2009, the Company entered into a loan agreement with a bank for a facility not over USD 12 million for use as working capital. The Company had drawn down the full amount. The loan carries interest at LIBOR plus a fixed rate percent per annum, payable quarterly as from the third month from the date of first draw down. The principal is payable in 12 quarterly installments. Installments 1 - 11 are USD 1 million each and the remaining of principal is to be paid in the twelfth installment. The Company therefore commenced principal repayment in November 2009 and it is to be completed within 2012. The loan agreement includes a negative pledge provision.

On 17 November 2011, the Company entered in to the second amendment of loan agreement to change principal payment schedule such that the ninth installment of USD 1 million is payable on the last business day of May 2012 and the remaining principal is payable on the last business day of August 2012. During current year, the loan had been repaid in full (2011: Baht 45 million).

The loan agreement contains certain covenants and restrictions imposed by the lenders regarding information in the form of letter in case of changing director in the board of director or changing power of director or changing registered share capital, make a commitment over assets and revenue of the Company, decreasing share capital, as well as the maintenance of percent of shareholder both direct and indirect of the Company's Chief Executive Officer, and maintenance of certain financial ratios.

17.4 On 29 December 2011, the Company entered into a loan agreement with a commercial bank for a facility of USD 10 million to purchase equipment, tools and machinery and restore the factories of the Company after flooding. On 25 April 2012, the Company had drawn down the full amount. The loan carries interest at LIBOR3M plus a fixed rate per annum, payable quarterly and due in the third month from the date of the first drawdown. The principal is payable in 12 quarterly installments, with the first installment due in the fifteenth month after the first drawdown date and settlement to be completed within 48 months from the first drawdown date. This loan is secured by negative pledges. As at 31 December 2012, the outstanding balance of the loan was Baht 114 million.

The loan agreements contain certain covenants and restrictions imposed by the lenders, such as prohibitions on the creation of commitments or the sale or transfer of assets, and the maintenance of certain financial ratios.

- 17.5 On 17 January 2012, the Company entered into a loan agreement with a commercial bank for a facility of USD 10 million to purchase equipment, machinery and restore the factories of the Company after flooding. On 1 February 2012, the Company had drawn down the full amount. The loan carries interest at LIBOR3M plus a fixed rate per annum, payable quarterly and due in the third month from the date of the first drawdown. The principal is payable in 12 quarterly installments, with the first installment due in the fifteenth month after the first drawdown date and settlement to be completed within 48 months from the first drawdown date. This loan is secured by negative pledges. The outstanding balance of the loan as at 31 December 2012 was Baht 105 million.

The loan agreements contain certain covenants and restrictions imposed by the lenders, such as prohibitions on the creation of commitments or the sale or transfer of assets, and the maintenance of certain financial ratios.

- 17.6 On 3 April 2012, the Company entered into a loan agreement with a commercial bank for a facility of Baht 300 million to purchase equipment, machinery and restore the factories of the Company after flooding. The Company had drawn down the full amount. The loan carries interest at maximum rate of fixed deposit 3 months plus a fixed rate per annum, payable monthly and due in the first month from the date of the first drawdown. The principal is payable in 12 quarterly installments, with the first installment due in the fifth month after the first drawdown date and settlement to be completed within 48 months from the first drawdown date. This loan is secured by negative pledges. During current year, the loan had been repaid in full.

The loan agreements contain certain covenants and restrictions imposed by the lenders, such as prohibitions on the creation of commitments or the sale or transfer of assets, and the maintenance of certain financial ratios.

18. Liabilities under finance lease

(Unit: Thousand Baht)

| | Consolidated and Separate financial statements | |
|--|---|---------|
| | 2012 | 2011 |
| Liabilities under finance lease agreements | 3,809 | 4,544 |
| Less: Deferred interest expenses | (359) | (399) |
| Total | 3,450 | 4,145 |
| Less: Portion due within one year | (954) | (2,417) |
| Liabilities under finance lease agreements - net of current portion | 2,496 | 1,728 |

The Company has entered into the finance lease agreements with leasing companies for rental of the vehicle and equipment for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally between 1 and 5 years.

As at 31 December 2012, Future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Million Baht)

| | Less than 1 year | 1-5 years | Total |
|--|------------------|-----------|-------|
| Future minimum lease payments | 1.1 | 2.7 | 3.8 |
| Deferred interest expenses | (0.1) | (0.2) | (0.3) |
| Present value of future minimum lease payments | 1.0 | 2.5 | 3.5 |

19. Provision for long-term employee benefits

(Unit: Thousand Baht)

| | <u>Consolidated and Separate financial statements</u> | |
|--|---|---------------|
| | <u>2012</u> | <u>2011</u> |
| Provision for employee benefits at beginning of year | 33,500 | 5,520 |
| Cumulative effect of change in accounting policy for employee benefits recorded in profit and loss during the year | - | 23,251 |
| Current service cost | 22,995 | 3,577 |
| Interest cost | 1,764 | 1,152 |
| Expenses recognised during the year | <u>(4,053)</u> | <u>-</u> |
| Balance at end of year | <u>54,206</u> | <u>33,500</u> |

Assumptions of estimation of actuarial principles on date of conclusion are as follows:

| | <u>Consolidated and Separate financial statements</u> | |
|--|---|---------------|
| | <u>2012</u> | <u>2011</u> |
| | (% per annum) | (% per annum) |
| Discount rate | 3.8 | 4.2 |
| Future salary increase rate | 4.0 | 4.0 |
| Staff turnover rate (depending on age) | 3.0 - 15.0 | 6.0 |

20. Share capital

Number of ordinary shares reconciliation

(Unit: shares)

| | <u>2012</u> | <u>2011</u> |
|---|----------------------|----------------------|
| <u>Registered share capital</u> | | |
| Number of ordinary shares as at beginning of year | 1,985,178,736 | 1,986,216,815 |
| Decrease from cancellation of right to purchase ordinary shares | <u>-</u> | <u>(1,038,079)</u> |
| Number of ordinary shares as at end of year | <u>1,985,178,736</u> | <u>1,985,178,736</u> |
| <u>Issued and paid-up share capital</u> | | |
| Number of ordinary shares as at beginning of year | 1,950,469,236 | 1,938,611,986 |
| Converted right to purchase ordinary shares to share capital | <u>10,630,750</u> | <u>11,857,250</u> |
| Number of ordinary shares as at end of year | <u>1,961,099,986</u> | <u>1,950,469,236</u> |

Registered ordinary shares which are not issued and paid-up are the ordinary shares which are reserved for the exercise of right to purchase ordinary shares as discussed in Note 21 to the financial statements.

During the current year, the holders of the ordinary share warrants offered to the directors and employees (ESOP-5) exercised 10,630,750 warrants at an exercise price of Baht 2 each, or for a total of Baht 21,261,500 to purchase 10,630,750 ordinary shares with a par value of Baht 1 each, or a total of Baht 10,630,750. The Company has a Baht 10,630,750 premium on the ordinary shares as a result of such exercise.

The Company already registered increase in its paid up share capital with the Ministry of Commerce, and the Stock Exchange of Thailand approved the additional ordinary shares as listed securities.

21. Right to purchase ordinary shares

On 28 April 2010, the Annual General Meeting of shareholders No. 1/2553 approved the issue and offer of 55,000,000 No.5 warrants to purchase ordinary shares of the Company (ESOP-5), to be offered free of charge solely to the directors and employees. The purpose is to reward directors and employees and to provide incentives to encourage them to remain with the Company.

The term of the warrant is 4 years from the issue date and each warrant can be exercised to purchase one new ordinary share at an exercise price of Baht 2 per share. The warrants can be exercised twice a year, with the warrant holders having the right to exercise in each year not more than 25% of the total warrants allotted to them, and unexercised warrants from previous periods can be carried forward to the next period.

The offer of the ESOP-5 was informed to the Office of the Securities and Exchange Commission on 6 July 2010. The movements of right to purchase ordinary shares during the years 2012 and 2011 are summarised below.

| | ESOP-5 (Units) | |
|---|----------------|--------------|
| | 2012 | 2011 |
| Brought forward/Number of unexercised | | |
| as at 1 January | 34,709,500 | 46,566,750 |
| Exercised during the year | (10,630,750) | (11,857,250) |
| Number of unexercised right to purchase | | |
| ordinary shares as at 31 December | 24,078,750 | 34,709,500 |

22. Treasury stocks

On 2 September 2011, a meeting of the Board of Directors of the Company approved a share repurchase program for the purpose of financial management and to manage the Company's excess liquidity. The details are as follows:

- The maximum amount available for repurchasing the shares is Baht 275 million.
- A maximum of 55 million shares with par value of Baht 1 per share is available for repurchase, equivalent to 2.82 percent of the total paid-up capital as at 2 September 2011.
- These shares are to be repurchased through the Stock Exchange of Thailand. The repurchase price must not exceed 115 percent of the weighted average closing price over the five trading days before each repurchase is made.
- The repurchase period is from 19 September 2011 to 16 March 2012.
- Any shares bought back are to be resold on the Stock Exchange of Thailand, during the period from 17 September 2012 to 16 March 2015 (after 6 months but no later than 3 years after the completion date of the share repurchase scheme). Reselling of shares, cancellations of the repurchased shares and reductions of share capital are to conform to the 2001 ministerial regulations regarding principles and procedures for the repurchase and resale of shares. The resale price is to be set at not lower than 85 percent of the weighted average closing price over the five trading days before each resale is made.
- The treasury stocks carry no rights to receive dividend.

| | Consolidated and Separate financial statements | |
|--------------------------------|---|------------|
| | 2012 | 2011 |
| Number of shares (shares) | 30,081,800 | 30,081,800 |
| Average price per share (Baht) | 3.77 | 3.77 |

As at 31 December 2012, the Company's treasury stocks, amounting to Baht 114 million, were presented as a deduction item in shareholders' equity. This amount is presented under the cost method. The market price of the treasury stocks, which is based on the closing price quoted on the Stock Exchange of Thailand on the last day of year, was approximately Baht 124 million (2011: Baht 96 million).

The Company has to set aside an amount from retained earnings equal to the cost of the treasury shares to a separate reserve account, with such reserve to remain outstanding until either the shares are sold or paid-up capital is reduced by the cancellation of any remaining unsold shares. As at 31 December 2012, the Company reserved Baht 114 million of its retained earnings; an amount equal to the cost of the treasury shares. Such reserve has been presented as "Appropriated retained earnings - reserve for treasury shares" in the statement of financial position.

23. Statutory reserve

Pursuant to Section 116 of the Public Company Limited Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income, after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of its registered capital. The statutory reserve is not available for dividend distribution.

24. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|--|----------------------|-----------|----------------------|-----------|
| | financial statements | | financial statements | |
| | 2012 | 2011 | 2012 | 2011 |
| Salary and wages and other | | | | |
| employee benefits | 660,443 | 675,022 | 589,100 | 651,647 |
| Depreciation | 159,652 | 194,562 | 149,024 | 179,564 |
| Loss from flooding | 33,836 | 1,974,465 | 33,836 | 1,974,465 |
| Reversal of loss on obsolete and slow-moving | | | | |
| inventories | - | (125,023) | - | (125,023) |
| Amortisation intangible asset expenses | 4,081 | 4,687 | 4,081 | 4,687 |
| Reversal of loss on impairment of equipment | (354,123) | (7,816) | (354,123) | (7,816) |
| Raw materials and consumables used | 6,207,448 | 6,602,408 | 5,790,426 | 6,462,076 |
| Changes in inventories of finished | | | | |
| goods and work in progress | 108,301 | 91,557 | 87,835 | 95,821 |

25. Promotional privileges

The Company has been granted promotional privileges under the Investment Promotion Act B.E. 2520 by the Board of Investment under certain significant conditions. Significant privileges of the Company are as follows.

| Details | | | | |
|--|--|--|--|--|
| 1. Certificate No. | 1069(2)/2547 | 1065(2)/2550 | 1686(2)/2550 | 1296(2)/2554 |
| 2. Promotional privileges for | Manufacturing of PCBA, electronic products | Manufacturing of PCBA, electronic products | Manufacturing of PCBA, electronic products | Manufacturing PCBA, electronic products and handmicrophone |
| 3. The significant privileges are | | | | |
| 3.1 Exemption of corporate income tax for net profit from promotional privileges and exemption of income tax on dividends paid from the profit of the operations throughout the period in which the corporate income tax is exempted. | 3 years (Expired) | 5 years | 5 years | 5 years |
| 3.2 Allowance for 5% of the increment in export income over the preceding year for ten years, providing that the export income of that particular year should not be lower than the average export income over the three preceding years except for the first two years. | Non-granted | Non-granted | Non-granted | Non-granted |
| 3.3 Exemption of import duty on machinery as approved by the Board. | Granted | Granted | Granted | Granted |
| 3.4 Exemption of import duty on raw materials and significant supplies used in export production for a period of one year from the first import date. | Granted | Granted | Granted | Granted |
| 4. Date of first earning promotional privileges under the promotion certificates | | | | |
| - Raw materials | 20 Jul. 2004 | 24 Apr. 2008 | 30 Aug. 2007 | 1 May 2011 |
| - Machinery | 24 Dec. 2003 | 27 Dec. 2006 | 6 Jun. 2007 | 25 Jan 2011 |
| - Income tax | 7 Oct. 2004 | 14 May 2008 | 18 Oct. 2007 | 13 May 2011 |

The Company's operating revenues for the years, are below shown divided according to promoted and non-promoted operations.

(Unit: Thousand Baht)

| | <u>Promoted operations</u> | | <u>Non-promoted operations</u> | | <u>Total</u> | |
|-------------------|----------------------------|------------------|--------------------------------|----------------|------------------|------------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| Sales in overseas | 7,203,060 | 8,123,432 | 189,429 | 238,227 | 7,392,489 | 8,361,659 |
| Other income | <u>908,742</u> | <u>46,052</u> | <u>218</u> | <u>23,677</u> | <u>908,960</u> | <u>69,729</u> |
| Total revenues | <u>8,111,802</u> | <u>8,169,484</u> | <u>189,647</u> | <u>261,904</u> | <u>8,301,449</u> | <u>8,431,388</u> |

26. Earnings per share

Basic earnings per share is calculated by dividing profit (loss) for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year (net from treasury stocks held by the Company, as discussed in Note 22 to the financial statements).

Diluted earnings per share is calculated by dividing profit (loss) for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year (net from treasury stocks held by the Company) plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

The following table sets forth the computation of basic and diluted earnings per share:

| | <u>Consolidated financial statements</u> | | | | | |
|--|--|--------------------|--|----------------------|---------------------------|-------------|
| | <u>Profit for the year</u> | | <u>Weighted average number of ordinary shares*</u> | | <u>Earnings per share</u> | |
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| | (Thousand Baht) | (Thousand Baht) | (Thousand shares) | (Thousand shares) | (Baht) | (Baht) |
| Basic earnings per share | | | | | | |
| Profit (loss) attributable to equity holders of the Company | 1,246,471 | (1,274,924) | 1,925,580 | 1,936,943 | 0.65 | (0.66) |
| Effect of dilutive potential ordinary shares | | | | | | |
| Warrants | <u>-</u> | <u>-</u> | <u>13,605</u> | <u>16,417</u> | | |
| Diluted earnings per share | | | | | | |
| Profit (loss) of ordinary shareholders assuming the conversion of dilutive potential ordinary shares | <u>1,246,471</u> | <u>(1,274,924)</u> | <u>1,939,185</u> | <u>1,953,360</u> | 0.64 | (0.66) |

* Weighted average number of ordinary shares (net from treasury stocks held by the Company)

Separate financial statements

Weighted average

| <u>Profit for the year</u> | | <u>number of ordinary shares*</u> | | <u>Earnings per share</u> | |
|----------------------------|-----------------|-----------------------------------|-------------------|---------------------------|-------------|
| <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| (Thousand Baht) | (Thousand Baht) | (Thousand shares) | (Thousand shares) | (Baht) | (Baht) |

Basic earnings per share

Profit (loss) attributable to equity holders of the Company

| | | | | | |
|-----------|-------------|-----------|-----------|------|--------|
| 1,198,296 | (1,274,140) | 1,925,580 | 1,936,943 | 0.62 | (0.66) |
|-----------|-------------|-----------|-----------|------|--------|

Effect of dilutive potential

ordinary shares

Warrants

| | | | |
|---|---|--------|--------|
| - | - | 13,605 | 16,417 |
|---|---|--------|--------|

Diluted earnings per share

Profit (loss) of ordinary shareholders assuming the conversion of dilutive potential ordinary shares

| | | | | | |
|-----------|-------------|-----------|-----------|------|--------|
| 1,198,296 | (1,274,140) | 1,939,185 | 1,953,360 | 0.62 | (0.66) |
|-----------|-------------|-----------|-----------|------|--------|

* Weighted average number of ordinary share (net from treasury stocks held by the Company)

27. Segment information

The operations of the Company and its subsidiaries involve mainly a single industry segment, the business of electronic manufacturing service, and are carried on in geographic area in Thailand, The People's Republic of China, Taiwan and Denmark. Below is the consolidated financial information for the years ended 31 December 2012 and 2011 of the Company and its subsidiaries presented by geographical segment.

(Unit: Million Baht)

| | <u>Thailand</u> | | <u>China/Taiwan</u> | | <u>Denmark</u> | | <u>Elimination</u> | | <u>Consolidated financial statements</u> | |
|-----------------------------------|-----------------|-------------|---------------------|-------------|----------------|-------------|--------------------|-------------|--|-------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| Revenue from external | 7,376 | 8,329 | 328 | 116 | - | - | - | - | 7,704 | 8,445 |
| Inter segment revenues | 16 | 32 | 96 | 75 | 429 | 582 | (541) | (689) | - | - |
| Total revenues | 7,392 | 8,361 | 424 | 191 | 429 | 582 | (541) | (689) | 7,704 | 8,445 |
| Segment operating profit (loss) | 656 | 1,030 | (10) | (17) | (3) | 1 | 77 | 68 | 720 | 1,082 |
| Unallocated income and expenses: | | | | | | | | | | |
| Gain on exchange | | | | | | | | | 134 | 11 |
| Claim refund from severe flooding | | | | | | | | | 730 | - |
| Other income | | | | | | | | | 51 | 50 |
| Selling expenses | | | | | | | | | (119) | (117) |
| Administrative expenses | | | | | | | | | (192) | (187) |
| Allowances for doubtful accounts | | | | | | | | | (4) | (106) |
| Loss from flooding | | | | | | | | | (34) | (1,974) |
| Finance cost | | | | | | | | | (38) | (23) |
| Corporate income tax | | | | | | | | | (2) | (11) |
| Profit (loss) for the year | | | | | | | | | 1,246 | (1,275) |

(Unit: Million Baht)

| | <u>Thailand</u> | | <u>China/Taiwan</u> | | <u>Denmark</u> | | <u>Elimination</u> | | <u>Consolidated financial statements</u> | |
|-------------------------------|-----------------|-------------|---------------------|-------------|----------------|-------------|--------------------|-------------|--|--------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| Property, plant and equipment | 1,426 | 1,050 | 20 | 33 | - | - | (60) | (60) | 1,386 | 1,023 |
| Unallocated assets | | | | | | | | | <u>3,545</u> | <u>2,931</u> |
| Total assets | | | | | | | | | <u>4,931</u> | <u>3,954</u> |

Transfer prices between business segments are as set out in Note 6 to the financial statements.

28. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The fund is monthly contributed to by employees, at the rate of 3 percent of their basic salaries, and by the Company at rates of 3 to 5 percent and will be paid to employees upon termination in accordance with the fund rules. During the year 2012, the Company contributed Baht 8 million (2011: Baht 8 million) to the fund.

29. Dividend

Dividend declared in year of 2011 consists of the following:

| <u>Dividend</u> | <u>Approved by</u> | <u>Total dividend</u> | <u>Dividend per share</u> |
|-------------------------------|---|-----------------------|---------------------------|
| | | (Million Baht) | (Baht) |
| Final dividend on 2011 income | Annual General Meeting of Shareholders No. 1/2554 | <u>204</u> | <u>0.11</u> |

30. Commitments and contingent liabilities

30.1 Capital commitments

- As at 31 December 2012, the Company had capital commitments of Baht 19 million (2011: Baht 4 million), relating to the installation of equipment.
- The Company and its subsidiaries are committed to pay the uncalled portions of their investments as follows:

| The overseas subsidiaries | | <u>Amount</u> |
|-------------------------------------|-----|---------------|
| - Globe Vision Corp. | USD | 9,300,000 |
| - Shi Wei Electronics (HK) Co., Ltd | HKD | 9,999 |

30.2 Operating lease commitments

- The Company has entered into several lease agreements in respect of the lease of land, office building space, motor vehicles and equipment and service agreements. The terms of the agreements are generally between 1 year and 3 years.

As at 31 December 2012, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

| Payable within: | <u>Million Baht</u> |
|------------------|---------------------|
| Less than 1 year | 11 |
| 1 to 3 years | 4 |

- The subsidiary in China has entered into a non-cancellable operating leases agreement, under which total minimum lease payments approximately RMB 4.0 million are required. The agreement ends on 31 August 2013. Details are as follows:

| Payable within: | <u>Million RMB</u> |
|------------------|--------------------|
| Less than 1 year | 1 |

- c) The subsidiary has entered into an agreement in Hong Kong Special Administrative, Region of the People's Republic of China, for a period of one year beginning on 10 April 2012, under which the rental fee is RMB 15,600 per month.
- d) The subsidiary in Taiwan has entered into an agreement to rent building, for a period of 1 year beginning on 1 December 2012, under which the rental fee is TWD 100,000 per month.

30.3 Guarantees

- a) The Company has letters of guarantee issued by certain local banks to a government agency, a state enterprise and other companies totaling approximately Baht 27 million (2011: Baht 11 million).
- b) The Company issued the guarantee letters to banks to guarantee by USD 5 million of loans from banks to its overseas subsidiaries (2011: USD 3 million and Baht 90 million).

30.4 Compensation claim for damage demanded by customer

- a) In December 2011, the Company received a letter from a customer demanding compensation totaling USD 4 million, for inventories and equipment kept at the Company that were damaged by flooding. The opinion of Company's legal counselor is that the Company is not obliged to pay the compensation claim as the damage was due to force majeure. However, the Company set aside provision for damage to the inventories and equipment.
- b) As at 31 December 2012, there were outstanding litigation cases under which claims for compensation totalling approximately Baht 2 million have been made against the Company. The Company has already recorded these liabilities. The cases are being considered by courts.

30.5 Other commitment

As at 31 December 2012, there was a total of Baht 94 million consigned stock for products kept at the Company's factory that have yet to be consumed (2011: Baht 85 million).

31. Financial instrument

31.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instrument: Disclosure and Presentation", principally comprise cash and cash equivalents, current investments, trade accounts receivable, trade and other payables, liabilities under finance lease and short-term and long-term loans from banks. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company is exposed to credit risk primarily with respect to trade accounts receivable and loan. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables and loans as stated in the statement of financial position.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, short-term loan and long-term borrowings with interest bearing. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2012 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

| | Consolidated financial statements | | | | | | |
|--|-----------------------------------|---------------|--------------|----------------|------------------------|---|-------------|
| | Fixed interest rate | | | | Average interest rates | | |
| | | | | | (Percent per annum) | | |
| | Floating | Within | 1 - 5 | Non-interest | | Floating | Fixed |
| | <u>interest rate</u> | <u>1 year</u> | <u>years</u> | <u>bearing</u> | <u>Total</u> | <u>rate</u> | <u>rate</u> |
| <u>Financial assets</u> | | | | | | | |
| Cash and cash equivalents | 566 | - | - | 1 | 567 | - | - |
| Current investments | 100 | 110 | - | - | 210 | - | 2.10, 3.65 |
| Trade accounts receivable | - | - | - | 1,511 | 1,511 | - | - |
| <u>Financial liabilities</u> | | | | | | | |
| Trade and other payables | - | - | - | 1,617 | 1,617 | - | - |
| Short-term loan from financial institution | - | 95 | - | - | 95 | - | 5.10 - 7.57 |
| Long-term loans from banks | 552 | - | - | - | 552 | LIBOR + 1.5 LIBOR + 2.1 LIBOR + 2.9 | - |
| Liabilities under financial lease | - | 2 | 1 | - | 3 | - | 2.4 - 6.3 |
| (Unit: Million Baht) | | | | | | | |

(Unit: Million Baht)

| Separate financial statements | | | | | | | |
|---------------------------------------|----------------------------|---------------|--------------|----------------|--------------|----------------------------|-------------|
| | | | | | | Average interest rates | |
| | <u>Fixed interest rate</u> | | | | | <u>(Percent per annum)</u> | |
| | Floating | Within | 1 - 5 | Non-interest | | Floating | Fixed |
| | <u>interest rate</u> | <u>1 year</u> | <u>years</u> | <u>bearing</u> | <u>Total</u> | <u>rate</u> | <u>rate</u> |
| <u>Financial assets</u> | | | | | | | |
| Cash and cash equivalents | 528 | - | - | 1 | 529 | - | - |
| Current investments | 100 | 110 | - | - | 210 | - | 2.10, 3.65 |
| Trade accounts receivable | - | - | - | 1,442 | 1,442 | - | - |
| Other account receivable - subsidiary | - | - | - | 57 | 57 | - | - |
| <u>Financial liabilities</u> | | | | | | | |
| Trade and other payables | - | - | - | 1,577 | 1,577 | - | - |
| Long-term loans from banks | 552 | - | - | - | 552 | LIBOR+1.5 | - |
| | | | | | | LIBOR+2.1 | |
| | | | | | | LIBOR+2.9 | |
| Liabilities under financial lease | - | 2 | 1 | - | 3 | - | 2.4 - 6.3 |

The Company entered into interest rate swap agreement to manage risk associated with the financial liabilities carrying floating interest. The details of long-term loans are set out in Note 17 to the financial statements. The detail of the interest swap agreement outstanding as at 31 December 2012 is as follows:

The Company has entered into Interest Rate Swap Transaction Agreements with two banks which the balance as at 31 December 2012 is amounting to USD 9.6 million. The contracts are for a period of 3 years, maturing in September 2013 and December 2013. At each of the maturity dates, the Company is required to pay interest to the bank based at fixed rate stipulated in the agreements (2.2 percent and 2.9 percent per annum) and the banks are required to pay interest to the Company at the floating rate plus stipulated rate. The agreement contains other conditions. The Company would have unrealised loss of approximately Baht 1 million (2011: Baht 2 million), if it had recorded the above contracts at fair value.

Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from trading transactions and borrowings that are denominated in foreign currencies. The Company seeks to reduce this risk by entering into forward exchange contracts and currency option agreements when it considers appropriate. Generally, the forward contracts and currency option agreements mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2012 are summarised below.

| <u>Foreign currency</u> | <u>Financial assets</u> | <u>Financial liabilities</u> | <u>Average exchange rate as at 31 December 2012</u> |
|---------------------------------|-------------------------|------------------------------|---|
| | (Million) | (Million) | (Baht per 1 foreign currency unit) |
| <u>Due within 1 year</u> | | | |
| USD | 55 | 64 | 30.63 |
| EUR | 7 | 6 | 40.56 |
| JPY | 50 | 158 | 0.35 |
| DKK | - | 2 | 5.44 |
| SEK | - | 1 | 4.71 |
| <u>Due over 1 year</u> | | | |
| USD | - | 3 | 30.63 |

Foreign exchange contracts outstanding as at 31 December 2012 are summarised below.

| <u>Foreign currency</u> | <u>Bought amount</u> | <u>Sold amount</u> | <u>Contractual exchange rate</u> | |
|-------------------------|----------------------|--------------------|------------------------------------|--------------------|
| | (Million) | (Million) | <u>Bought amount</u> | <u>Sold amount</u> |
| | | | (Baht per 1 foreign currency unit) | |
| USD | 1 | 17 | 30.60 - 31.00 | 30.66 - 31.56 |
| EUR | - | 2 | - | 39.60 - 40.67 |
| JPY | - | 50 | - | 0.36 - 0.37 |

Currency option agreements outstanding as at 31 December 2012 are summarised below.

| <u>Foreign currency</u> | <u>Bought amount</u> | <u>Sold amount</u> | <u>Contractual exchange rate</u> | |
|-------------------------|----------------------|--------------------|------------------------------------|--------------------|
| | (Million) | (Million) | <u>Bought amount</u> | <u>Sold amount</u> |
| | | | (Baht per 1 foreign currency unit) | |
| USD | 1 | 78 | 30.20 - 30.73 | 30.66 - 32.00 |
| EUR | - | 12 | - | 39.10 - 41.10 |

The maturity dates of these agreements are between 4 January 2013 to 9 October 2013. The Company would have unrealised loss of approximately Baht 32 million, if it had recorded the above contracts at fair value.

31.2 Fair values of financial instruments

Since the majority of the Company's financial instruments are short-term in nature and loans bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in statements of financial position.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

32. Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern. As at 31 December 2012, the group's debt-to-equity ratio was 0.96:1 (2011: 2.16:1) and the Company's was 0.89:1 (2011: 1.97:1).

33. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 21 February 2013.

Audit's Remuneration

The company and its subsidiaries paid the audit fee in the fiscal year ended December 31st, 2012 as follows:

| Audit Fee for Year 2012 | SVI Public Co., Ltd. | Globe Vision Company Limited | SVI China Limited | SVI Electronics (Tianjin) Co., Ltd. | SHI WEI Electronics (Hong Kong) | SVI A/S | Northtec Co., Ltd |
|------------------------------------|----------------------|------------------------------|-------------------|-------------------------------------|---------------------------------|--------------|-------------------|
| Audit Fee | 1,170,000 Baht | 50,000 Baht | 104,203 Baht | 502,888 Baht | 132,257 Baht | 437,315 Baht | 313,228 Baht |
| Audit Fee for BOI Promoted Project | 250,000 Baht | None | None | None | None | None | None |
| Other Fees | None | None | None | None | None | None | None |
| Other Fees in the Future | None | None | None | None | None | None | None |

Investor Relations

SVI has established and assigned an Investor Relations Unit to communicate any significant qualitative and quantitative information for investors, such as general information, financial information related to the characteristic of business, operating performance (already published), management discussions and other crucial information. SVI has an objective to transparently reflect the company's value to the capital market which will be beneficial to its shareholders, investment institutions, analysts, related public parties, media and others. SVI recognizes this activity as an important tool to reinforce good corporate governance of the company.

Insider Trading Policy

The Company recognizes the importance of equitable treatment to stakeholders. Thus, the Company has disclosed accurate and transparent information to all shareholders and investors fairly and in compliance with SEC's and SET's rules and regulations. The Company set a Code of Conduct regarding to inside information and insider trading. Directors, and the management can not trade the company's shares in the security market if he/she knows of any materialized information that may impact the company's share price until, that information, quarterly or yearly operating result, or financial forecast are disclosed to SET's channel.

Shareholders, Analyst and Press Meetings

SVI has arranged Shareholders Meetings and treated all Shareholders equitable by sending invitation letter at reasonable time as required by law. The letter informs Shareholders of the meeting schedule and location that is convenient to commute to the meeting. The Annual General Shareholders Meeting is normally held in April each year. The Company also invites both Analysts from inside and outside Thailand, Financial Journalists, media and press to discuss and interview SVI top management regarding to the company's strategy and business plan.

2012 Financial Reporting

The Company's information, annual reports and quarterly reports were released in both Thai and English, available on the IR website at <http://investorrelations.svi.co.th>.

Investor Relations Contact

Address: 142 Moo 5, Tiwanon Rd., Bangkadi, Muang, Pathumthani 12000 THAILAND

Tel: +66-2 963-9101 ext. 1804

Fax: +66-2 963-9070

E-mail: ir@svi.co.th

IR Website: <http://investorrelations.svi.co.th>

General Information

| | |
|----------------------------|--|
| Name | : SVI Public Company Limited |
| Type of Business | : Full turnkey Electronics Manufacturing Services (EMS) Company, providing comprehensive services primarily to Original Equipment Manufacturers (OEMs) with the main customers in Europe, USA and other regions. |
| Registration Number | : 0107537001790 (Previous No. Bor Mor Jor 426) |
| Registered Capital | : 1,985,178,736 Baht |
| Paid – Up Capital | : 1,961,099,986 Baht |
| Common Stock | : 1,961,099,986 shares |
| Par Value | : 1 Baht |
| Address | : <u>Thailand</u> |

SVI-Headquarters

142 Moo 5, Tiwanon Rd., Bangkadi, Muang, Pathumthani 12000 THAILAND

Telephone: (66) 2963-9101

Fax: (66) 2963-9070-1

SVI- at Bangkadi Industrial Park

141 Moo 5, Tiwanon Rd., Bangkadi, Muang, Pathumthani 12000 THAILAND

Telephone: (66) 2963-6401

Fax: (66) 2963-6409

SVI-at Chaengwattana Road

33/10 Moo 4 Soi Chaengwattana-Pakkred 40, Chaengwattana Road, Bangtalad, Pakkred, Nonthaburi 11120 THAILAND

Telephone: (66) 2574-5671

Fax (66) 2574-5672-3

Oversea

SVI- Tianjin, China

6-C/D, Zhongxiaoyuan, Micro-Electronic Industrial Park, Jin Gang Highway, Xiquing District, Tianjin, P.R. China

Telephone: (86) 22 – 2388 5699

Fax: (86) 22 – 2388 5686

| | |
|---------------------------|---|
| Email | : office@svi.co.th |
| Website | : http://www.svi.co.th |
| Investor Relations | : http://investorrelations.svi.co.th |
| | Tel: (66) 2963-9101 ext. 1804 |
| | Fax: (66) 2963-9070 |
| | Email: ir@svi.co.th |

Subsidiaries and Overseas Offices:

1. GLOBE VISION COMPANY LIMITED

Sea Meadow House, Blackburne Highway, P.O. Box 116, Road Town, Tortola, British Virgin Islands

2. SVI CHINA LIMITED (Hong Kong)

Room 337 3/F, South China C.S. Building

Wah Sing Street, Kwai Chung, Hong Kong

Tel: 852-2374 1213

Fax: 852-2374 1212

3. SVI CHINA LIMITED (Shenzhen)

Materials Sourcing Office

Flat G, 18th Floor, Tai Yang Dao Building, 34 Dong Men Nan Lu, Luo Hu, Shenzhen, P.R. China

Tel: 86-0755-8214 7356

Fax: 86-0755-8214 7136

4. SVI ELECTRONICS (TIANJIN) CO., LTD.

6-C/D, Zhongxiaoyuan, Micro-Electronic Industrial Park, Jin Gang Highway, Xiquing District, Tianjin, P.R. China

Tel: (86) 22-2388-5699

Fax: (86) 22-2388-5686

5. SHI WEI Electronics (Hong Kong)

ROOM 337, 3/F, South China C.S. Building, Wah Sing Street, Kwai Chung, Hong Kong

Tel: 852-2374 1213

Fax: 852-2374 1212

6. SVI A/S (Denmark)

Stamholmen 173

2650 Hvidovre

Denmark

Tel: 4536344600

7. NORTHTEC CO., LTD. (TAIWAN)

2F, No.20, Lane 478,

Ruiguang Road, Neihu District,

Taipei 114, Taiwan, R.O.C.

Tel: (886) 02-8752-4066-7

References:

A. Shares Registrar

Thailand Securities Depository Co., Ltd.

62 The Stock Exchange of Thailand Building,
Rachadapisek Road, Klongtoey,
Bangkok 10110, Thailand
Telephone: (66) 229 2800
Fax: (66) 359 1259

B. Auditors

1. Ernst & Young Co., Ltd.

(for SVI Plc. and Globe Vision Co., Ltd.)

33rd Fl., Lake Rachada Building
193/136-7 New Rachadapisek Road, Klongtoey, Bangkok 10110
Telephone: (66) 2264-0777
Fax: (66) 2264-0789

Auditor: Mr. Sophon Permsirivallop
Auditor's Registration Number: 3182

2. Yau Wai Ching Certified Public Accountant.

(for SVI CHINA LIMITED and SHI WEI Electronics (Hong Kong))

Room 337, 37/F, South China C.S. Bldg.,
13-17 Wah Sing St., Kwai Chung, Hong Kong
Telephone: (852) 2374 1212
Fax: (852) 8374 1213

Auditor: Yau Wai Ching
Auditor's Registration Number: P05128

3. Moores Rowland

(for SVI ELECTRONICS (TIANJIN) Co., Ltd.)

Room 1608, Office Tower E1, Oriental Plaza, #1 East Chang An Avenue,
Dong Cheng District, Beijing 100738 P.R. China
Telephone: (86) 10 8518 9778
FAX: (86) 10 8518 9771

Auditors: Calvin Yang and Steven Jing

Auditor's Registration Number: 410000150001 (Calvin Yang), 410000010048 (Steven Jing)

4. Nejstgaard & Vetlov

(for SVI A/S)

Statsautoriseret Revisionsaktiese Gydevang 39 – 41 3450 Allerod

Auditors: John Bagger - Petersen
Telephone: 0045 4817 5777
FAX: 0045 4817 2208

5. Braintec CPA Firm

(for Northtec)

12F, No. 955, Zhongzheng Rd., Zhonghe District, New Taipei City 235, Taiwan, R.O.C.
Auditors : Ms. Fang Lan-Lo
Telephone: +886-2-8228-6611

C. Legal Advisor

The Law Advocate Co., Ltd.

32nd Fl. Payathai Plaza Bldg.
128/354 Phyathai Road, Thung-Phyathai, Rajthavee, Bangkok 10400
Telephone: (66) 2216-5177-8
Fax: (66) 2216-5179

D. Financial Advisor

None